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### *British policy in the Far East 1937-1939*

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Abstract.

Introduction. Britain's naval power in the world and the Far East and her commercial and political stake in China. Britain's attitude towards Japanese aggression in relation to American isolationism and the deteriorating European situation in 1937.

Part I (1937-1938). Britain's reaction to the Sino-Japanese conflict is connected with America's refusal to contemplate joint action of which the Brussel's Conference is an example. Increasing Japanese attacks on foreign interests alarmed both Britain and America and staff conversations took place in January 1938. Collective security through the League of Nations failed in 1937-38, and Britain separately considered means of aiding China. The situation at Shanghai and Tientsin indicate the danger to British political and economic interests in the face of Japanese attacks.

Part II (1938-1939). The European situation, the American attitude and the progress of British rearmament conditioned British policy in the Far East during 1938-39. The conflicting views of the British Embassies in China and Japan increased Lord Halifax's difficulties. During 1938-39 League action again failed and Britain became increasingly concerned with the Anti-Comintern negotiations at Shanghai, Tientsin and Hankow and throughout China Britain economically and politically lost ground. The British also considered the possibility of further credits to China, of sanctions against Japan and the desirability of a Chinese declaration of war.

Part III The situation at Tientsin is taken to the Tokyo talks in July 1939. The Anglo-Japanese formula and the denunciation of the American-Japanese trade treaty by America brought reactions in Britain and Japan. The negotiations at Tokyo are divided into questions relating to public order and currency matters. The Nazi-Soviet non-aggression pact created new circumstances in the Far East for Britain.

Conclusion. Appeasement had left Britain weak. American isolation and German aggression gave Britain no choice but to constantly negotiate with Japan until the British rearmament programme was complete.

P.A.HERRIMAN.

INTRODUCTION.

Britain was successfully able to resist aggression, before and during the First World War, by means of her naval power. Her ability to continue to do so, however, decreased with the shift of the centre of gravity of naval power. With the growth of the American and Japanese navies the Pacific and not the Atlantic or the Mediterranean played an increasingly large part in her strategic policy.

As a result of the peace settlement after the war Japan "provided a potential threat to the security of the sea communications between Great Britain, India, Australia and New Zealand. It therefore became desirable that a British fleet should be stationed in the Far East."<sup>1</sup> With this in mind a great naval base was planned at Singapore which became the key to the British defence of the East. Britain's fleet however remained in European waters on the assumption that war was unlikely for the next ten years. At the same time she strove to keep the balance of naval power in her favour by the Washington Treaty of 1921 which re-established her strength over Japan: by the Four Power Treaty: and the Nine Power Treaty relating to the integrity of China. These treaties, however, failed in their main objective. In reality Japan found that neither Britain nor America could build naval bases nearer to Japan than Singapore and Hawaii. Furthermore they drove her into the arms of Germany.<sup>2</sup> Therefore, although after the Manchurian

1. S.W.Kirby. History of the Second World War: War against Japan; Vol.1, p.2.

2. ibid., p.5.

B R I T I S H   P O L I C Y   I N   T H E

F A R   E A S T   1937 - 1939.

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Crisis in 1932 the British chiefs of staff declared "it would be the height of folly to perpetuate our defenceless state in the Far East",<sup>3</sup> it was not until 1934, with Germany as a potential aggressor and Japan on the march that Britain decided to rearm<sup>4</sup>. Singapore's defence made slow headway due to the difference of opinion between the navy-army group and the airforce protagonists.

The event which changed the face of British strategic policy in the Far East was the Anglo-German treaty of June 1935. This gave Germany the right to build up to thirty-five percent of the surface tonnage of the British navy.

"It completely altered the strategic position in the Far East, for the rebirth of Germany's navy meant that, when her building programme was completed, the greater part of the British fleet would have to be retained in home waters regardless of events in the Far East!"<sup>5</sup>

Later in the same year the London Naval Conference met without Japan, agreeing to a qualitative but not quantitative limitation ratio of 5: 5: 3: for British, American and Japanese ships respectively. They added an escape clause however enabling powers to depart from the clauses of the treaty if another power contravened the limitations. Almost immediately Japan began a naval building programme.

In November 1936 Japan joined the Anti-Comintern pact:

"International relations in all parts of the world became more closely knit and intertwined. What Italy did involved two continents. What Germany did and planned embraced the Western

3. ibid.p.11.

4. ibid.p.12.

5. ibid.p.13.

world. What Japan did and planned comprised the Eastern world. What the three planned together included the whole world,"<sup>6</sup> and was a threat to its stability.

In 1937 the British chiefs of staff gave Japan second to Germany as a possible enemy. "They pointed out that in a war with Germany, even with France as an ally, a British fleet at least equal to the German navy would have to be retained in home waters. The strength of the fleet which could be sent to the Far East would have to be governed by home requirements."<sup>7</sup> The security of the United Kingdom and Singapore were cardinal factors in British policy. Loss of Singapore would endanger all the British Commonwealth. The British government, however, because it did not believe Japan would risk war unless Britain became involved in a European war, therefore kept the fleet in European waters, as "the retention of the fleet in European waters would tend to be a factor in the preservation of peace in the East."<sup>8</sup>

At the time of the outbreak of the Sino-Japanese conflict the fortifications of Singapore were still unable to protect that city for more than seventy days.<sup>9</sup> Britain's vast interests in China and Hong Kong were protected by no more than token forces. The safety of Singapore and Britain's Chinese interests both therefore rested on her ability to send a fleet. Britain had to make a choice: To sacrifice her interests in the East and avoid war?: To take a firm attitude?: Or play for time until British rearmament enabled her to play a stronger hand against Japan. All alternatives especially the last two depended upon the degree of American support Britain could gain.<sup>10</sup>

6. Cordell Hull - Memoirs vol.1. p.397.

7. Kirby S.W. op.cit. p.17.

8. ibid. p.18.

9. ibid. p.17.

10. 326 HC. Deb. 5.s.col3544.

Britain's political position in China was built up on her financial stake in trade and investment. Her share in China's import and export trade was enormous.<sup>11</sup> She also controlled a large amount of China's resources besides being in herself one of the three best endowed political/economic units in the world. She controlled half the foreign investments in China (forty-nine percent including investments in Hong Kong), and nearly half the shipping (forty point one percent).<sup>12</sup> These investments and trade would be weakened by the Japanese encroachment in China.<sup>13</sup> Already by 1937 Japan monopolized the trade and investments of Manchukuo, whilst her share in Chinese investments and shipping was second only to Great Britain, and in Chinese trade second only to America. The first step towards the development of a Japanese economic bloc was taken in 1938 with the establishment of the North China and Central China Development Companies. It was however admitted that judged in terms of resources the position of the Far Eastern bloc (Japan, Manchukuo and China) would certainly be weaker than that of the British Empire, the United States, or probably the Union of Soviet Socialist Republics. Hence Chamberlain's statement in the House of Commons on 1st November that a reconstructed China under Japan could not possibly survive without British financial aid.<sup>14</sup>

American investments in China were only one-sixth of Great Britain's, but their investments in Japan were balanced. The chief American interest in the Far East was in trade from Japan. It is interesting to note that America was primarily interested, from a material point of view, in Japan, whereas the British stake was in China. Britain therefore had more to lose than America.<sup>15</sup>

11. R.I.I.A., China and Japan, Information Dept. Paper, no.21.

12. C. F. Remer, Foreign Investments in China (figures for 1931)

13. Eden, 327 HC Deb. 5s col. 21st October 1937

14. 340 HC Deb 5s cols. 69 and 82.

15. R.I.I.A., China and Japan, Information Dept. Paper, no.21.

Apart from the larger share Britain held in Chinese business investment, she also held various Concessions throughout China which were administered by British Law. The Chinese government were also obligated to her under four headings: 1. Loan secured on the Maritime Customs, 2. Loans secured on the Salt Gabelle, 3. Railway loans carrying the government guarantee, 4. Unsecured loans. With the exception of the loan secured on the Maritime Customs payment was either partially or wholly in default.<sup>16</sup>

Japan's aim was to establish an economic bloc to take the place of her absolute dependence on exports from the British Empire and America. The process began with the rape of Manchuria and the gradual infiltration into Northern China. (The Marco Polo Bridge incident of July 1937 was the logical outcome of Japanese policy). The colonial powers were not blind to the prevailing discontent which had been brought into the limelight by the Italian policy of expansion in Abyssinia, and of the desires of Japan for colonies. Great Britain had, in fact, already made an official pronouncement on the subject in the statement by Sir Samuel Hoare to the League on 11th September 1935. Referring to the preponderant advantages which certain countries had/<sup>he</sup>said that it was "not unnatural that such a state of affairs should give rise to fear lest exclusive monopolies be set up at the expense of those countries that do not possess colonial empires ... The view of His Majesty's government is that the problem is economic rather than political and territorial." He suggested a free distribution from colonial areas and added, "the government that I represent will, I know, be prepared to take their share in any collective attempt to deal in a fair and effective way with a problem that is certainly troubling many people at present and may trouble them even more in the future."<sup>17</sup> Hoare's reference to 'collective attempt' and 'trouble in the future' were to prove prophetic.

16. ibid.

17. R.I.I.A. Raw Materials and Colonies. Information Dept. Paper no. 18, p. 12.

This remained British policy in 1937, and with the formation of the Hayashi cabinet in Tokyo which seemed to presage a new deal for China, an unofficial trade mission visited London, America and Europe. Its aim was to try and lift Japan from her economic isolation. It was followed by an approach to Britain for a better mutual understanding and resulted in diplomatic pourparlers in London in the early summer of 1937. Japan feared trade blockade and a decline in her export trade, while Britain, in return for concessions to Japan in her colonial markets, wanted a naval armaments agreement, and respect for her Chinese interests. Unfortunately the Japanese army in China showed no sign of ameliorating their attitude, and by July 5th, when fighting broke out, no definite date had been fixed and Eden said in the House of Commons on 21st October, 1937, "These conversations were interrupted at once on the outbreak of the conflict, and their resumption is clearly impossible in the present conditions".<sup>18</sup> The outbreak of fighting also scotched an Australian proposal for a pact of non-aggression among contries in the Pacific made at the Imperial Conference in London in May 1937.

China's reaction to a rapprochement between Japan and Great Britain was one of alarm, as she knew it was virtually impossible for the two to agree without some measure of British recognition of Japan's new order in Manchukuo and North China. She also doubted whether any agreement would stop further Japanese aggression. China, too, although closely implicated in the proposed talks had not been consulted, and her fears were not allayed by the British assurance that no actions detrimental to China were envisaged.

18. 327 H.C. Deb. 5s.col.63.

Cordell-Hull says that by mid 1935 it was clear that,

"Japan was consolidating her position in Manchuria and exerting every effort to keep China disunited until Japan was ready for another broadscale military move."<sup>19</sup>

The United States both in naivety over the Nye Committee of 1934 and isolationism helped the Japanese in their conviction that no one would intervene in any attack on China.<sup>20</sup> Japan had just gained a diplomatic victory over the Russians concerning the Amur River dispute. The Japanese army also believed that the recent purges had incapacitated the Union of Soviet Socialist Republics. Britain preoccupied in Europe was considered too weak to resist Japanese aggression in China by herself.

In the world theatre the portents were not encouraging. The Spanish conflict was still continuing. Hitler had occupied the Rhineland in March of the previous year, and had already torn up the military clauses of the Versailles Treaty. His efforts were obviously to consolidate Germany's position on her western and eastern frontiers in order, as was suspected, and later proved, to free her hands for action in the south. There was the general stocktaking which took place in Central and Eastern Europe, faced with the grim realities of a discredited League, a rearmed Germany, and an aggressive Italy. There were international problems concerning Palestine and Syria in the Middle East. Summing up for the year 1937 the keynote was one of general apprehension regarding the future.

In Britain the Conservatives were in power led by Neville Chamberlain who became Prime Minister in May 1937. The policy of appeasement in Europe was about to reach its zenith.

19. Hull, op.cit. p.397.

20. ibid. pp.397-404.

America was isolationist. A united front might have stopped Japan. But this was not forthcoming. Chamberlain at the end of May had sounded Hull on the possibility of an Anglo-American-Japanese agreement in the Far East, thus hoping to prevent the possibility of a war on two fronts. The United States of America on 1st June, however, returned an unfavourable reply.<sup>21</sup> Chamberlain was probably prepared for this, for as early as June 1934 he had noted "we ought to know by this time that the United States of America will give us no undertaking to resist by force any action by Japan, short of an attack on Hawaii or Honolulu."<sup>22</sup>

American opinion was motivated to a large extent by a suspicion of British policy dating back to the Manchurian incident, in February 1932 when Sir John Simon reputedly blocked American proposals made by Secretary of State, Stimson.<sup>23</sup> Whether this is true or not, prior to July 1937 American opinion was less isolationist towards the Far East than towards Europe, because of self-interest. Even Roosevelt and Hull saw their best chance of collaboration with Britain in the Far East: but with the outbreak of war the Roosevelt administration, warned by the isolationist temper of public opinion remained neutral. The only time it was to step out of line was at the time of Roosevelt's Chicago speech and it soon retracted its horns. As far as Americans generally were concerned their policy was one of isolation, the Monroe doctrine, freedom of the seas, and the open door.<sup>24</sup> Co-operation or joint undertakings abroad, especially with Britain, were anathema.

21. F.C.Jones, Japan's New Order in East Asia, pp.38-39, and Hull, op.cit., pp.531-533.

22. K.Feiling, Life of Neville Chamberlain, p.253.

23. H.L. Stimson, Far Eastern Crisis, pp.162-164; R.L.Willbur and A.H.Hyde in "The Hoover Policies" however disagree.

24. C.Howland, Survey of American Foreign Relations. Chapter 2.

THE BRITISH REACTION TO THE OUTBREAK OF FIGHTING IN CHINA.  
JULY 1937 - AUGUST 1938.

Although Eden said at the time "all the indications encourage us to believe that the present situation in North China was not deliberately provoked by either Government",<sup>1</sup> it soon became obvious who the aggressor was. The Japanese took Peiping on 28th/19th July and Tientsin on the 29th July. By 16th October the Japanese had conquered Inner Mongolia and were free to advance southwards along the Peiping-Hankow, Tientsin-Pukow railways. The result, however, of China's appeal to the League and to the signatories of the Washington Nine Power Conference did not give force to the moral opinion of the democracies.

On 20th July the British government asked the United States to join with Great Britain and France in a joint recommendation to the Japanese and Chinese governments to suspend all further troop movements. This would be followed by Anglo-American proposals for a settlement of the Sino-Japanese conflict. But this was rejected by Hull on 21st July on the grounds that joint mediation would be castigated as interference by the Japanese military, and arouse Isolationist sentiment in the United States of America. America was also sensitive to British diplomatic tactics. Hull says in his Memoirs that on the day following Eden's proposals that he showed Ambassador Lindsay "various cables I had received containing publicity his government had given to statements implying that, with the British and French governments already in accord for joint action, proceeding with the British proposal would depend on whether we joined in. I said my government trusted that henceforth there would be no change or publicity attributing to the American government responsibility for the failure of the British project."<sup>2</sup> They were not however

1. 326 HC Deb.5s p.1800.19th July.

2. Hull, op.cit.,p.538-9.

averse to parallel action.<sup>3</sup>

No doubt joint intervention would have aroused a storm in America, but Japan was not ready for protracted war,<sup>4</sup> and could not have expected help from her Anti-Comintern partners because Germany feared loss of trade with China as a result of war, and a weakening of Japan vis-a-vis the Union of Soviet Socialist Republics.<sup>5</sup> Germany in fact made efforts to bring the belligerents to peace,<sup>6</sup> although a British approach to Germany and Italy for joint mediation met with no success. American intervention at an early stage might thus have arrested Japanese aggression.

American participation in the Far East was constantly in the mind of Anthony Eden the British foreign secretary. At the outset of the dispute he had raised the possibilities of sanctions against Japan. The United States however replied that they considered this proposal amounted to a boycott against Japan. They also considered that if it led to hostilities they would be aligning themselves with Great Britain and "would bear the brunt as we alone possess a fleet that could be sent into Far Eastern waters."<sup>7</sup> Eden doubtless knew what the American reply would be. Chamberlain certainly "hoped Bingham's (it was he who suggested sanctions to Eden) proposals would not go any further. It smacked very much of sanctions; it would certainly antagonize Japan, and might so far damage our relations with her that it would cost us millions in defensive measures in the Far East." He considered the earlier British proposal for mediation was not open to any of these objections.<sup>8</sup>

3. ibid.

4. I.M.T.F.E. record pp. 20671-3

5. German Foreign Ministry to Various German Diplomatic Missions, 20th July 1937. D. German.F.P.Series D. i pp.733-4.

6. G.D.Vol I. Nos.463 and 471.

7. Moffat Papers p.154.

8. Avon Op.cit. p.532.

Eden was however prepared to go to greater lengths to achieve American co-operation than some of his colleagues. When, therefore, at the end of September, he made a second attempt at joint Anglo-American intervention and cessation of trade with Japan he said,

"We could not ask the Americans about their attitude without informing them of our own. Therefore my telegram stated that we should be ready to consider any action likely to shorten the war if we were convinced of its effectiveness."<sup>9</sup>

This kind of approach brought him into conflict with Chamberlain whose views on foreign policy were becoming rapidly divergent from Eden's. Chamberlain redrafted the last sentence to read,

"To the effect that we were not convinced that economic action would be effective, but we should be quite prepared to examine it further if the United States government considered it worth pursuing."

Eden was not consulted over this and, as he says in his Memoirs, "it was therefore no surprise when on October 5th the State Department sent a reply replete with emollient phrases."<sup>10</sup> Eden was well aware of the risk of war, but to discourage economic action as Chamberlain had done only encouraged a further American psychological withdrawal."

"Counsels of moderation were hardly likely to be heeded (in Japan), especially when not concerted between Great Britain and Washington."<sup>12</sup> Some Americans might consider it "curious that England should be prepared to propose to us a stand she is unwilling to assume with the League powers in Geneva."<sup>13</sup> In fact

9. ibid. p. 534

10. ibid.

11. ibid. p. 535

12. ibid. p. 531

13. Moffat Papers p. 154.

it was not surprising as England knew that the United States could not take action from the activities of the League as she was not a member. But she was a signatory of the Nine Power pact. This is the reason why Eden attached such importance to American consultation.

In reality Britain had no more commitments in China than America: "Unless the provision for consultation contained in article 17 of the Nine Power Treaty is classed as a commitment, neither that treaty nor the Kellogg pact is classed as a commitment of his Majesty's Government in the present dispute. Nor has any arisen under the covenant of the League." It was certainly not in British interests to appear to be intervening even though British interests were indirectly at stake, especially without American support. This is what happened when Britain had put forward her peace proposals to Tokyo in July.<sup>15</sup> Consequently Eden told the House of Commons on 19th July that Britain was not going to propose a Nine Power meeting to settle the dispute;<sup>16</sup> neither did she consider it opportune, at that time to re-open Anglo-Japanese conversations.<sup>17</sup> The same applied to the question of bringing the dispute before the League Council as Great Britain was in constant touch with other Powers anyway.<sup>18</sup> This was a way of hiding the truth that a meeting of the League would achieve nothing. The only way to bring America into the conflict was by a meeting of the Washington Treaty Powers. Britain had to play a waiting game,<sup>19</sup> hoping America would propose this herself.

14. 326 H.C.Deb. 5s p. 2182.

15. Avon. op.cit. p.531.

16. 326 H.C.Deb. 5s p.1765

17. ibid p.2182

18. ibid.and pp. 3315-6 and pp.1800-1

19. ibid.pp. 2426-7.

BRITAIN AND THE BRUSSELS' CONFERENCE.

When China appealed to the League on 12th September 1937 under Articles 10, 11 and 12 of the Covenant, it was not only Great Britain, but France and China, who approached America to ascertain her attitude towards consulting with the League. Hull was cautious and "felt it necessary to guard against a repetition of an effort made in the past by several League States to get us committed to a certain course and then use our commitment as a lever to move the other league states into position."<sup>20</sup> His caution was not ill-founded as the Council of the League referred the matter to the Special Advisory Committee responsible for Far Eastern affairs. This decided that the best way was for all the interested powers to meet.<sup>21</sup> "This proposal to convene the Washington Treaty Powers was obviously intended to bring in the United States ... Great Britain and France, who were faced with the growing power and ambitions of Germany and Italy, and with the tense situation arising out of the Spanish conflict, could not risk involvement in the Far East without assurances of American support."<sup>22</sup>

Hopes of a firmer American policy towards the totalitarian states were raised by President Roosevelt's Chicago speech on 5th October with its famous quarantine clause and its limited recourse to retaliation and sanctions. The reports of the Advisory Committee were adopted on 5th October by the Advisory Committee and by the League assembly on the following day.<sup>23</sup>

20. Hull. op.cit. pp. 542 and 544.

21. 327 H.C. Deb. 5s p. 64 and R.I.I.A. Docs. 1937 pp. 669-681.

22. F.C. Jones op.cit. pp. 50-1 & 328 H.C. Deb. 5s p. 299

23. R.I.I.A. Survey 1937 i p. 297 and R.I.I.A. Docs. 1937 p. 582.

As Moffat says in his diary,

"The genesis of the /Brussels/ Conference was really the Roosevelt speech of 5th October. Up to that moment, there had been few indications that the matter would not remain in the hands of the League. However, with its strong tone and ambiguous phrasing, it caused an immediate change of plans in Europe, and Great Britain (on 6th) promptly informed us (America) that it considered a Nine Power Conference essential."

The American government agreed and suggested Brussels as a venue.<sup>25</sup> Roosevelt's speech was not popular in the United States of America, but in Europe the effect was electric. It led to a false optimism, and was widely represented that in the event of war America's only safe economic intercourse was with Britain. This led to the assumption in Britain that America despite her bellicose isolation would intervene to save Great Britain from defeat. Chamberlain on 8th October in a speech at Scarborough declared Britain wholeheartedly behind Roosevelt's call for concerted action in the cause for peace.

But no sooner had the conference been mooted than America began to soft-pedal. On October 12th Roosevelt took great care to say that their role at the conference was chiefly mediatory.<sup>26</sup> On the British side a similar attitude was adopted by the Earl of Portsmouth speaking for the government in the House of Lords on 21st October, "Above all", he said, "I want to emphasize this fact - that the primary object of the conference is to find a way of restoring peace by general agreement." Thus before it began the conference was stillborn no matter if Eden said he would "travel not only from Geneva to Brussels but from Melbourne to Alaska" to secure effective American support.<sup>27</sup> Although he

24. Moffat Papers October 28th 1937. p.156.

25. Hull - op.cit. p.550.

26. Moffat Papers. p.157 and Avon op.cit.p.535.

27. 328 H.C. Deb. 5s.p.583 - 1st November.

considered "the prospect of effective Anglo-American policy in the Far East appeared to have diminished appreciably since Roosevelt quarantine speech," he added that the conference could "build confidence between us by a constant repetition of this maxim."<sup>28</sup> Neither did he believe the Japanese would attend<sup>29</sup> - which they did not.<sup>30</sup>

Following his previous policy Eden strove to show some willingness to back United States action. On October 28th, therefore, Viscount Cranbourne, Under-Secretary for foreign affairs said,

"His Majesty's Government should go as far as the United States but no farther."<sup>31</sup>

Eden on November 1st also stated that "the initiative for holding the conference at Brussels never came from Britain at all but from the United States government."<sup>32</sup> These statements were misread by many who thought Eden "was claiming that America had taken the initiative in calling the conference, not merely in selecting its place."<sup>33</sup> It also raised American fears that Britain was pushing America to the front "to pull the British chestnuts out of the fire." Norman Davies, however, believed with greater accuracy "that the speech was merely an instance of the British desire to have us co-operate on a full basis, and that Eden with his insularity had either misjudged or paid no attention to our (American) psychology."<sup>34</sup> Eden later told America that he had taken this step because Britain was being singled out for vituperation by Japan.<sup>35</sup> American support would enable Britain not to give way

28. Avon. op.cit. p.536

29. ibid. p.535.

30. R.I.I.A. Survey 1937. i. p.285.

31. 328 H.C. Deb.5s. p.299

32. 328 H.C. Deb. 5s. p583.

33. Moffat Papers p.162.

34. ibid.

35. ibid p.164.

to Japanese demands that she close Hong Kong to the traffic of arms as Craigie suggested.<sup>36</sup>

If the conference met what might it hope to achieve? Very little. Sir Robert Craigie in fact saw the chances of mediation fading with the calling of the conference.<sup>37</sup> Eden told Washington on 19th October that there were three possible courses: to do nothing: to bring moral condemnation of Japan: or to aid China and bring economic pressure on Japan. He underlined the dangers of the latter, and concluded "sanctions would have to be preceded by mutual assurances of military support and guarantees of the territorial integrity of the other nations."<sup>38</sup> The Department of State replied that "consideration of the sanctions did not arise in a conference whose objective was to find a solution of the conflict by agreement."<sup>39</sup>

It was as Eden said "useless to ignore the European situation, and we could take no action in the Far East while the present conditions persisted in Europe, except in full co-operation with the United States."<sup>40</sup> The conference was, therefore, doomed from the start. A British request on 18th November that America would join with them in a combined offer of good offices to Tokyo and Chungking was repudiated. On November 2nd Davies told Eden that it would be impossible from a political point of view, to take joint action with Great Britain; that this, however, did not preclude America taking independent action which paralleled that of Great Britain.<sup>41</sup> Thus although Britain and France on 10th November both promised co-operation in collective action, there was no sign of an American undertaking.<sup>42</sup> Likewise a renewed attempt to coax Japan to the conference met with the obvious refusal on 12th November.<sup>43</sup> China's attempt to get the conference to withhold

36. op.cit.p.539.

37. Sir.R.Craigie - Behind the Japanese Mask.p.51

38. Hull - op.cit. pp.550-1

39. ibid.

40. Avon - op.cit. p.537

41. Hull - Sept.28th 37. U.S.Dept of State.For.Rel.Japan i p376.

42. Avon op.cit.p539

43. U.S.Dept of State

Conference of

Brussels.pp.

53-54.

war materials from Japan and their request for aid were also bound to fail when conducted on a collective basis. In their speeches the delegates of Great Britain, the United States and France, studiously avoided these problems, and a declaration drawn up on 15th November by <sup>these</sup> three delegates satisfied everyone but the Chinese and Russians. They failed to label Japan as the aggressor and merely requested that members should eschew action detrimental to Chinese interests, and consider how they could extend aid to China.

Now the Conference had so obviously failed it was essential from the British point of view, to have it adjourn in such a way that the Chinese would not be justified in asking that the problems be returned to Geneva. One way of preventing that was to introduce some new element. The British government therefore approached the United States with the proposal that they should announce their willingness to jointly offer mediation. "On the basis of this announcement the Conference could adjourn and any appearance of failure might be avoided."<sup>44</sup> But the United States regarded this suggestion as impractical.<sup>45</sup> Thus the Conference adjourned sine dei on 24th November with "anodyne resolution deprecating the use of force,"<sup>46</sup> and the League unconvened. The year ended in the failure of collective action.

In a report to King George VI Eden said that the main object of the Conference had been constant co-operation with America. No co-operation emerged, but because so much depended on it "no effort should be spared to consolidate it."<sup>47</sup> This had its results Eden added in that by the end of the Conference Davies was working with him and the suspicion from the Manchurian events

44. Moffat Papers - Nov.20th.p.185.

45. ibid. pp.185-6.

46. Avon - op.cit. p.540.

47. ibid.

of 1932 was to some extent eliminated.<sup>48</sup> Eden says, in his Memoirs, that he "found many at the Brussels Conference who thought Japan was going to her 1812 in China. This may not be so, but we should do what we can cautiously to make it possible."<sup>49</sup>

The reason for the failure of the Conference was expressed for Britain by Eden on 21st December in the Commons. He underlined the ineffectiveness of sanctions unless backed by naval force. Force which, he added, neither "ourselves or France has got ... it must be perfectly clear to everyone that that overwhelming force does not exist."<sup>50</sup> This also implied a criticism of the United States of America. What the Chicago Sunday Tribune said on 21st November was substantially correct; "The Europeans contend that the real fiasco of the conference - the reason why it has damaged the prestige of the western democracies grievously - is not that it failed to do anything, but that it talked about doing something and then backed down at the crucial moment. This they say definitely is the fault of the United States, which insisted on a strong moral stand against Japan." This resulted in Britain's inability to exert economic sanctions, and was to become the main reason for her policy of enforced compromise towards Japan.

48. ibid.

49. ibid. p.539 and Moffat Papers pp.181-2 and R.I.I.A.Docs.1937 pp.703-754 - statements made by delegates at the Brussels conference.

50. 330 H.C.Deb.5s.p.1883.

DAMAGE TO BRITISH INTERESTS IN CHINA IN 1937 CAUSED BY THE  
JAPANESE ADVANCE - RESULTS ON BRITISH POLICY.

The British position in the Settlements and Concessions was of paramount importance. Hence it was she who bore the brunt of Japanese ill will. As the struggle moved southwards considerable loss to the foreign community both in property and disclocation of trade resulted. Consequently interference with British interests increased.

After occupying various islands of the South China coast, which aroused fears for the safety of Hainan - important in its geographical sense in the safety of Hong Kong and Indo-China - the Japanese blockaded the Chinese coast from 6th September. As a result of this many British merchantmen complied with the Chinese request to paint their colours on their decks to prevent air attacks. In the next fortnight the Japanese declared their right of search, to verify a vessels nationality. With this in view the British authorities proposed on 11th September that if a British ship was stopped both parties should report the incident to the naval authorities. They also suggested that if a British warship was in the vicinity it should examine the ships papers if the Japanese required it. Tokyo accepted this solution as it did not impair their right of search. Neither was Hong Kong exempted from Japanese attention. Although there was no blockade the Japanese carried out action against Chinese junks issuing from Hong Kong. So far did they take these measures that the British government was forced to protest on 11th December concerning the Japanese action against the customs carrier Che-Hsing shelled in Hong Kong waters, as a violation of British territorial waters. The Japanese "expressed regret that British territorial waters were entered without consent and have issued instructions to

prevent a re-occurrence."<sup>51</sup>

In the fighting up to December there were many such incidents which brought loss to Britain and America alike. Dislocation of trade was one result. The Chinese, for example, from fear of the Japanese, erected booms on the main rivers - Min, Yangtse, Whangpo and Pearl, and it was only at Canton/<sup>that protests</sup> - this time to the Chinese, but later to the Japanese - that brought about an amelioration in conditions, and small craft were allowed to ply at specified hours. Some incidents, like the Chinese attacks on H.M.S. Cumberland on 15th August, and the American liner President Hoover on 30th August were obvious mistakes, as were the Japanese shelling and killing of foreign soldiers stationed in the Shanghai defence sectors, and the loss of goods in the prolonged fighting around the Whangpo river. But there were also attacks which did not come within the range of accidental loss of life caused by unavoidable acts of war and bore the imprint of deliberate planning.

One of these acts was the shooting of Sir Hugh Knatchbull-Hughesson, British ambassador to China, while on his way to Shanghai on 26th August. The British protested on 29th August, in Tokyo, and, after expressing the "deep distress and concern of His Majesty's Government at the news of this deplorable event," passed on to a general discussion of the application of the rules of international law to attacks on non-combatants.<sup>52</sup> More attention was drawn to the illegality of firing upon non-combatants than of the fact that it was the British ambassador. After the new British ambassador in Tokyo, Sir Robert Craigie, had sat on a fact finding commission, the Japanese tardily apologised. Great Britain accepted their apology.<sup>53</sup> It did not however prevent a

51. 331.HC.Deb.5s. p.1860.

52. Sir.R.Craigie op.cit. pp.42-43.

53. ibid., p.45. and R.I.I.A.Docs. 1937 pp. 665-669.

Far East in co-operation with other interested powers.<sup>56</sup>

It was, he told the Americans exactly "this kind of incident which I had feared might happen, if no restraint were imposed upon the Japanese government by evidence of joint Anglo-American determination to resist the increasingly over-bearing attitude of the Japanese military."<sup>57</sup> Eden wanted not only consultation but also co-operation. "More important is the question whether the United States government will be taking simultaneous action of a more menacing character such as the mobilization of their fleet ... in that case we should probably desire to take similar action, although of course our own ships could not reach Eastern waters as soon as the United States ships."<sup>58</sup>

But the United States were not prepared for any kind of joint action. In his Memoirs Hull asserts that American policy at the time, "while advocating international co-operation at all times was faced with the extremely delicate task of being careful not to present and urge measures in such numbers as to alarm the people and precipitate isolation as an acute political issue in the nation."<sup>59</sup> The United States therefore acted independently, to Eden's disappointment, by a separate note to Japan on 13th December, while Britain's note went through Sir Robert Craigie."<sup>60</sup>

By the end of December 1937 the situation had resolved itself into several obvious choices for Great Britain. As Sir Alexander Sinclair said in the House of Commons on 21st December, the British could either clear out of China or reach an understanding with Japan, which would involve a breach with the United States. Both these solutions were unfeasible. The other two choices were neutrality or fulfilment of Britain's Nine Power Treaty obligations. "Let us make no doubt about it.

56. Avon. op.cit. pp.540-1

57. Avon.op.cit.p.542.

58. ibid. p.542.

59. Hull op.cit. p.560.

60. Avon op.cit. p.543 and United States Foreign Policy 1931-41. Peace and War Doc. No. 98.

second Japanese attack on British embassy cars on the road from Nanking to Shanghai on 12th October 1937. In this case also the Japanese official apology for the incident was accepted. The Japanese, however, felt safe in their knowledge that British weakness prevented her from taking a stronger line.

It was in December when the Japanese were advancing towards Nanking that the most serious outrages occurred, in the form of attacks on British and American warships and merchantmen on the Yangtse. Minor incidents apart, events were overshadowed by the attacks of 12th December which produced a severe crisis in the relations between Japan and the two western powers concerned. H.M.S. Ladybird together with H.M.Ss. Cricket and Scarab were attacked between Nanking and Wuhu. The Japanese apologised on 14th December but it was not until 28th December that a comprehensive reply was delivered to Britain. The diplomatic correspondence ended with a British note of 31st December which expressed British satisfaction with Japanese undertakings.<sup>54</sup> But even this event was dwarfed by the sinking of the U.S. Panay on 12th for which the Japanese apologised immediately and acknowledged responsibility on 24th December. The Americans accepted this on 27th December. As a result of the apologies the friction introduced by the Panay incident, like the Ladybird, had disappeared by the end of 1937. But the suspicion of deliberate army complicity remained. There was every indication that the Japanese did not think anything would happen as they did not stop their plans for completing their operation for entering Southern China.<sup>55</sup>

Eden was, at the time of the Panay incident, trying to interest the United States in taking 'effective action' in the

54. 330 HC. Deb.5s. p.1168 and R.I.I.A.Docs. 1937. pp. 767-772.

55. ibid. pp.1869-70.21st Dec.For United States correspondence relating to Panay and damage to United States interests in China - Foreign Relations of United States 1938 vol.IV. (hereafter referred to as For.Rel.of U.S.)

The respect that the militarists of Japan will show for British interests will be in direct ratio to our capacity and resolve to defend them."<sup>61</sup> Eden put it differently. He quoted British policy as being to restore peace honourably, to fulfil Britain's share of international obligations, and to protect her interests and territory. "We are constantly and daily in close consultation with the government of the United States ... Over and over again we have taken either parallel or similar action."<sup>62</sup> This did not, however, help solve his problem and he would have been forced to admit with Hull that a policy, "of threats and demonstrations without the forces necessary to back them up, which, the aggressor rulers, fully advised of our inadequate preparations and the state of public opinion in the United States of America would rightly characterize as bluff," was useless.<sup>63</sup> "It is impossible for foreign policy to be other than very closely related to the condition of our armaments" as "international law is no longer respected."<sup>64</sup> Britain knew that the Japanese could only be stopped by international action. But "international action depended upon international co-operation."<sup>65</sup>

## D

ANGLO-AMERICAN STAFF CONVERSATIONS.

Staff conversations had been proposed to the United States by Britain before the Panay incident through Lindsay in Washington.<sup>66</sup> This came as a result of a series of incidents against British life and property in China - notably the wounding of the British ambassador, and the seizure of the custom's vessels

- 61. 330 H.C. Deb. 5s. p. 1818.
- 62. 21st Dec. 330 H.C. 5s. 1886.
- 63. Hull - op.cit. pp. 564-5.
- 64. 327 H.C. Deb. 5s. p. 66.
- 65. Eden - 16th Feb. 327 H.C. Deb. 5s. p. 77.
- 66. Avon - op.cit. p. 541.

by the Japanese in Shanghai and Tientsin in the last week of November. Eden knew Britain could not detach a large force of her Mediterranean fleet to the Far East. "Large parts of the British and French fleets were patrolling the Mediterranean, as agreed at Nyem. Lord Chatfield felt that the despatch of two capital ships to the Far East would merely weaken us at home, without giving overwhelming strength against Japan ... I had hopes, however, that our firmness in the Mediterranean would soon enable Great Britain to present a stronger front to Japan."<sup>67</sup>

A week before the sinking of the Panay Eden tried to show that Britain was in earnest, and mentioned that Britain might be able to send eight or nine capital ships to any general naval display in the Far East, if America sent an equivalent number. He added that such a fleet could be ready in three or four weeks. Failing this he suggested getting the fleets into a state of greater preparedness, together with staff conversations. By making suggestions of his own Eden hoped to encourage the United States into action.<sup>68</sup> Meanwhile the Panay incident occurred. Eden hoped for a possible mobilization of the American fleet. But although Roosevelt in conversation with Lindsay showed himself interested in the idea of staff conversations, he was against the demonstration of both navies because he thought it would have an adverse effect on the Japanese military. He did however advance the date of Pacific manoeuvres by two or three weeks so as to begin in mid-February.<sup>69</sup>

The result of Lindsay's meeting with Roosevelt was the arrival of Captain Ingersoll in London on New Years day, <sup>1938</sup> for talks with the Admiralty, "to carry matters a stage further by

67. ibid. p.540

68. ibid. pp.543-4.

69. ibid. p546

exchanging information in order to co-ordinate our plans more closely."<sup>70</sup> On the more practical side Britain invited the United States fleet to visit Singapore, and on 10th January the President told Britain that three cruisers would proceed there. Eden remarks in his Memoirs that "all this, though not decisive, was helpful and encouraging to me in my pursuit of closer Anglo-American co-operation as the only effective deterrent to Japan in the Pacific. Japan's partners in Europe, Hitler and Mussolini might also note that the power of the democracies was being aligned."<sup>71</sup>

It did appear in the early months of January, 1938 that the United States were offering Britain more moral support in Central Europe by parallel action. In January, Sumner Welles, American Under Secretary for State reported that Roosevelt wanted to hold an international peace conference at the White House on 22nd January. He would only do this however if he had Chamberlain's agreement by 17th January. Lindsay urged acceptance of this initiative.<sup>72</sup> But Chamberlain viewed this move with greatest concern, as the plan cut directly across his own plans for forthcoming discussions with Germany and Italy. He, therefore, sent his reply without consulting Eden, and asked Roosevelt "to consider whether it would not be wiser to hold his hand for a short while." This 'douche of cold water' had unhappy consequences, and as far as Eden was concerned destroyed the confidential discussions which had been growing between America and England. The resignation of Eden on 18th February, 1938 led many Americans to believe that Chamberlain's decision "to play ball with Hitler and Mussolini has reached a concrete stage." Great Britain was seen as deserting collective security and Eastern Europe for the safety of her own interests.<sup>73</sup>

70. ibid.

71. ibid.

72. ibid. p.550.

73. Moffat Papers pp.189-90.

74. Hull - op.cit. p 455.

America also feared that Great Britain would sell China out by making some sort of deal with Japan at her expense. This was a point Lord Halifax the new British foreign secretary had to take into account when dealing with Sir Robert Craigie's requests for compromise towards Japan.

Nevertheless, despite these adverse circumstances the staff conversations had created an atmosphere conducive to the exchange of naval ideas.<sup>74</sup> When America presented her note to Tokyo on 5th February, 1938 requesting a Japanese assurance that she was not constructing ships over the London Conference limitations, Britain and France sent identic notes. When Hirota gave an unsatisfactory answer, the three powers after consultation announced their intention of departing from the treaty limitations.<sup>75</sup>

#### E.

#### THE SALE OF ARMS TO CHINA - THE BRITISH ATTITUDE TO JAPANESE BOMBING RAIDS.

The Japanese saw Britain as the chief bulwark against their ambitions in the East.<sup>76</sup> Among other things they accused Britain of being the chief instigator behind Chinese resistance. In fact, although the majority of arms came through Hong Kong only a small proportion were of British origin. During the first six months of the conflict only 5% were of British origin. Most of the munitions for China came from Germany, Italy and Czechoslovakia.<sup>77</sup> But the Japanese did not quell their press protests, probably hoping that it would force the British to close the Hong Kong route to arms shipments. Protest achieving little the Japanese began to bomb the railways, especially from

75. ibid. p.568 and 333 H.C.Deb.5s. pp.625-6.R.I.I.A.Docs.1938. vol.1. pp.510-518 for British French and American relations regarding the naval treaties.

76. Avon - op.cit. p.539 & Oct.30th 1937 - Grew II

77. 334.HC.Deb 5s.p.920. and The Times 5th Feb.1938.

Kowloon- Canton and Canton - Hankow. This, while not stopping supplies, brought the attendant evils of bombing open cities especially Canton, Nanking, Changsa and Nanchang. This in turn brought loss to third parties.

On 19th September, 1937 the Japanese issued a warning to third power nationals concerning property and lives, and requested them to leave. This called forth an oral protest from the British, American and French ambassadors in Tokyo. Even Germany protested on 22nd September. Hirota gave unsatisfactory undertakings to respect foreign interests. This did not prevent the bombing of Canton on 22nd September, and Great Britain, America, France, Italy, Germany and Union of Soviet Socialist Republics protested on 23rd September. This together with the parallel notes of 29th September from the three western democracies caused a moderation of Japanese tactics for a time, except for a raid on Canton in November. But The Times statement that Japan would carry out no more air raids on the unrestricted scale of 22nd September,<sup>78</sup> was hardly true. Bombings continued during 1938 and elicited the usual British protests.<sup>79</sup> On 29th June Butler stated in the Commons that "No joint representations have been made to the Japanese government ... Separate representations have however been made by the British and other representatives in Tokyo."<sup>80</sup> This in itself, meant that the representations without joint action were a failure.

F.

#### BRITAIN AND THE LEAGUE OF NATIONS.

The failure of collective security in 1937 did not prevent the League from meeting in 1938. But, as in 1937, they burked the issue of Japan's breach of privileges enshrined in the League

78. The Times. 1st Oct. 1937.

79. 336.HC.Deb.5s.p.2411 and R.I.I.A.Docs.1937 pp.682-686 for international condemnation of the bombing of open towns.

80. 337. HC.Deb. 5s. p.1888

Covenant. Two 'anodyne resolutions' were passed; one on 2nd February by the British, French, Russian and Chinese representatives; and another on 14th May. They both reiterated the recommendations of 6th October, 1937 and the hope that members would see their way to extend individual aid to China.<sup>81</sup> Viscount Cranbourne put the British dilemma aptly in the House of Lords on 28th October. "The attitude of the United States (regarding League action against Japan) is a factor of essential importance." The Opposition in Parliament criticized Great Britain for backing out of her League commitments. They also blamed the League for not making a recommendation to its members to act on their own without the assistance of non-members, or supporting individual economic action. Replying to this criticism Cranbourne said: "That suggestion ignores an essential factor. It is only when the extent of the co-operation to be expected is known that you can tell whether any given action is likely to be effective."<sup>82</sup> In reality Great Britain and the western democracies had to act for the most part independently, and deal with each situation as it arose.

It was a policy which was not likely to be favoured with much success. Chamberlain underlined this when on 26th July, 1938 he said in the House of Commons that League action was not likely to be successful. "In the meantime," he continued, "we are resolved to do our utmost to see that British interests shall not suffer in a conflict for which we have no responsibility and in which we have no direct concern." This was the same language as he used when he referred to Czechoslovakia as a far off country in which Britain had no interest. It was Chamberlain's policy of trying to improve international relations by removing the barriers to aggression and giving way in the face of overwhelming odds.<sup>83</sup>

81. For League Resolutions of League of Nations Official Journal. Special Supplement No.169. 1937 pp.148-9. *ibid.*, Jan-Jun.1938 p.120. *ibid.*, p.378. and R.I.I.A.Docs.1938 vol.pp.369-378.

82. 328.HC.Deb 5s.pp.298-301.

83. 338.HC.Deb.5s. 26th July 1938 pp.2960-73.

FURTHER DAMAGE TO BRITISH INTERESTS IN CHINA 1937-38

During 1938 the Japanese systematically attacked British preserves in China. They reorganized the railway system of the North China and the Peking - Mukden line,<sup>84</sup> and prevented British railway officials from inspecting the Shanghai - Nanking line. The Shanghai - Nanking Railway Company failed to pay interest to the British bondholders.<sup>85</sup> Protests were made in both these cases but with little result. Another interesting point was that the Japanese in the majority of cases sought to break the Anglo-American alliance by pretending that it was not American interests they were attacking. Benn reported in the House of Commons on 3rd June, 1938 that the United States was given immediate restitution for their protests as opposed to Britain and her inability to press her claims.<sup>86</sup>

It was in the Yangtse that the most serious conflict between Britain and Japan arose because of Japanese efforts to close the river to trade. The post of Tsingtao, wrecked by the retreating Chinese, was working again by May 1938, but the Japanese still kept it closed to foreigners on the plea of military necessity.<sup>87</sup> The Japanese also extended their interference to public international bodies such as the Whangpo Conservancy Board. In November 1937 they confiscated its equipment, and made its release, requested by the British ambassador in Tokyo, conditional upon a Japanese Board of Control.<sup>88</sup> As these terms were unacceptable to the British the situation remained unrelieved at the end of 1938.

Attempts were made to bring about a comprehensive liquidation of outstanding disputes, such as the Craigie/Ugaki talks during the

84. 337.HC. Deb.5s. pp. 1500-1 June 27th.

85. 335 HC. Deb.5s. p.1215 and 336 HC.5s pp. 831-32.

86. 336 HC.Deb. 5s. p.3412 (For U.S.declarations regarding damage to U.S. interests in 1937 - Foreign Relations of U.S.1938 vol.IV and U.S. Foreign Policy 1931-41 pp.45-53 and R.I.I.A.Docs.1937 pp. 559-593 and 654.)

87. 337 HC.Deb. 5s. p.719 and 336 HC.Deb.5s pp.1054-55.

88. ibid. and 337 HC.Deb.5s. pp.1545-6.

summer of 1938, but met with no success. The keynote, therefore, for the year 1937-38 which saw the collapse of collective security, was independent action by Britain in a world in which problems were international. The China incident increasingly influenced and was influenced by world politics. Gradually Britain began to consider how she might 'individually extend aid to China.'

## H

BRITISH AID TO CHINA 1937-1938.

There were several ways of extending aid towards China. One was to diminish outside assistance to Japan in the prosecution of her war in China. This was probably the most dangerous as Britain had to be wary of doing anything which smacked of sanctions. The British government could not just stop the sale of war supplies to Japan because of the difficulties involved in connexion with the Anglo-Japanese trade treaty. But Viscount Cranbourne was able to state on 23rd December, 1937 that only one licence had been granted in the last three months.<sup>89</sup> The United States carried out a similar policy of discouraging trade. But British trade with Japan showed no appreciable decline as a result of public discouragement of trade with Japan.<sup>90</sup>

Britain could also help the Chinese by the method of giving more direct aid to China. On the minor scale an English speaking mobile medical unit was sent to China to combat epidemics.<sup>91</sup> More important was Britain's ability to keep the lines of communication into China open. The Haiphong - Kunming railway was of great use to the Chinese after the fall of Canton and consequent blockade from Hong Kong. But this route was virtually debilitated because of Japanese pressure on the French by threatening Hainan. One of the remaining ways open to the Chinese

89. 330 HC. Deb. 5s p. 2162.

90. For. Rel. of U.S. 1938 Vol II pp. 613-626 and 329 HC. Deb. 5s p. 205.

91. 330 HC. Deb. 5s p. 1579.

for the import of war materials (besides the Russian route) was through the Burmese frontier. In 1937-38 the road from the Burmese frontier to Kunming was not complete. But British participation in the creation of the new road, and its obvious future advantages played a considerable part in the anti-British campaign in Japan. Japanese agitation, however, had little effect at this stage. On 3rd December the Burmese government declared its intention of not interfering with the traffic.

A further method of helping China, and one which proved the most successful was financial support by Great Britain and America. Financial action was of course entirely independent. As Eden pointed out in the House of Commons on 22nd November, 1937 "It is a matter of individual action ... not of co-operation with other countries ... though His Majesty's Government ... Keep in close touch with the United States government."<sup>92</sup> The Silver Purchasing Agreement between the United States and China, renewed in July 1938, and the \$25 million credit of December 1938 advanced through the American Export-Import Bank, helped to further the British government's determination of granting loans to China.<sup>93</sup> Their own initial export credit of £45,000, following the American lead, was small but served as a precedent.<sup>94</sup> Throughout 1937-38 they had resisted the urgings of representatives of business organizations and Members of Parliament to give their approval to financial assistance to China, and had refused to ask Parliament to sanction the grant of a government ban on government guarantees for private loans. Even when they decided to advise themselves on the possibility of Export Credit Guarantee Department cover they continued to regard it as a commercial rather than a political loan, for which the Chinese could offer no reasonable financial/commercial securities.<sup>95</sup>

92. 329 HC. Deb.5s p.831.

93. 336 HC. Deb.5s. pp.1179-80.

94. F.C. Jones op.cit. p.139.

95. 338 HC. Deb.5s pp. 2940-42 and p.2961.

THE BRITISH POSITION IN SHANGHAI - JULY 1937 - AUGUST 1938.

In 1937 the international settlement at Shanghai was faced with the most serious threat, not only to its security, but to its very existence. The Japanese victory had, here as elsewhere in China raised the perplexing question of the position of the extra-territorial powers in China. Talks concerning extra-territoriality had been in progress between Britain and China, but had been discontinued with the outbreak of hostilities.<sup>96</sup> The Chinese were able to use the international settlement of Shanghai to prevent a flank attack by the Japanese: But more important still Shanghai and the other British Concessions throughout China were seen by them as a bulwark against Japanese domination. Britain therefore bore the brunt of Japanese ill will. The city of Shanghai assumes a special importance when it is realized that no less than two thirds of the total foreign investments in China were invested in Shanghai. Professor Remer gives the chief creditor countries as follows, in the year preceding the outbreak of war:- Business invested in Shanghai in £ millions.

Great Britain	152
Japan	44
United States of America	20 97

The Japanese attack on Shanghai placed this business in jeopardy, and Britain had to protect her interests.

On 11th August Britain in conjunction with the American, French, German and Italian ambassadors urged on China and Japan the co-operation of all parties in maintaining the peace of Shanghai. Japan agreed if China would observe the validity of the 1932 agreement, which she knew was unlikely. These moves came to

96. 326 HC. Deb.5s pp.2180-1.

97. R.I.I.A. Inf.Dept.Paper No.21 - China and Japan.

nothing with the outbreak of fighting in Shanghai on 13th August.<sup>98</sup> On 18th August the British government proposed that both combatants should withdraw their forces from Shanghai and leave all civilian residents to be protected by the forces of neutral powers from the international settlement.<sup>99</sup> Japan however rejected this offer, declaring that she was responsible for the safety of her own nationals.<sup>100</sup>

When the Chinese finally retreated from Shanghai on 8th-9th November, 1937 the Japanese were left in control of the Hong Kew and Yangtsepoo districts of the international settlement, where most of the large-scale industries were situated. In addition Britain had lost a substantial part of the water frontage on the Whangpo.<sup>101</sup> The legitimate Chinese representatives had fled to Hankow and from thence to ChungKing, and there was therefore no one to negotiate with the foreign settlements. Great Britain had assumed that the Japanese would return the areas to the Municipal Councils jurisdiction. But this, in spite of frequent protests, they refused to do.<sup>102</sup> As a result however of repeated representations in Tokyo by the British and American ambassadors and their consuls of Shanghai,<sup>103</sup> they did allow foreign residents to return on 15th December 1937, and on 27th December proclaimed the reopening of areas north of Soochow creek to the business of non-Chinese. But certain portions of Hong Kew and Yangtsepoo remained closed on the plea of military necessity. On 15th February the Earl of Plymouth said in the House of Lords that "His Majesty's government are doing everything they possibly can by means of representations, both locally and at Tokyo to have restrictions removed at the earliest possible moment." But restrictions remained. Protests had not made the Japanese return the Moller Engineering works by June 1938,<sup>104</sup> or to allow free access of British merchants in occupied areas.<sup>105</sup> The

98. F.C.Jones op.cit. p.49.

104. 336 HC.Dec.5s p.2011.

99. 327 HC.Dec.5s pp.63-64.

105. 333 HC.Dec.5s p.827.

100. R.I.I.A.Docs.1937.pp.662-3

101. F.C.Jones Shanghai and Tientsin.

102. 338 HC.Dec.5s p.2230.

103. 329 HC.Dec.5s p.1197.

free circulation of employees of the British owned Shanghai Electric Construction Company in the Hong Kew and Yangtsepoo districts was prevented,<sup>106</sup> and the British owned Sungsing Cotton Mill machinery was seized.<sup>107</sup> The latter was later returned because of representations by the British.<sup>108</sup>

These restrictions were only a few of the vast number which occurred in Shanghai. They brought with them financial loss, and the British consuls general were told to file all claims received by them.<sup>109</sup> Despite this the Japanese continued to invoke belligerent rights, and destroy industrial competition by destroying Chinese mills. They also claimed the sovereign rights of the Chinese government, and on the ending of the Chinese censorship on mails, cables, wireless they took over their functions. Although Britain protested on 28th January, 1938 in collaboration with America nothing was done. Attacks on British subjects were also a source of trouble and Britain protested to Japan concerning the ill-treatment of her nationals on 31st December, 1937, 31st March, 5th, 6th and 11th April, 1938.<sup>110</sup>

The Japanese did not aim their attention entirely at the occupied areas. On 11th November the Japanese military warned the municipal authorities against allowing anti-Japanese agitation, and threatened to take over the settlement. On 1st December Britain denied the Japanese right to take unilateral action.<sup>111</sup> There was, however, no doubt that anti-Japanese activities were being carried out by the Chinese organizations inside the international settlement. The Japanese used the actions of these groups as a lever to attack the municipal authorities for inefficiency and embarrass the British. The settlement authorities did

106. 336 HC. Deb. 5s p.1632

107. ibid. p.2412.

108. 337 HC. Deb. 5s pp.683-4.

109. 332 HC. Deb. 5s p.730

333 HC. Deb. 5s p.1969.

110. 336 HC. Deb. 5s p.370

111. 329 HC. Deb. 5s pp.2046-7.

all they could to prevent these anti-Japanese activities. It was against these groups that a curfew was imposed by the municipal authorities on 15th August and 17th August 1937. They also imposed general restrictions on the Chinese population.<sup>112</sup> On the advice of the municipal police the Chinese press closed down, and on 21st October all printed publications were required to register with the council.<sup>113</sup>

Often, however, the Japanese were to blame for provoking incidents out of which they capitalized. In August a Japanese plane flew over the settlement and dropped leaflets attacking the Chinese National government and the western powers in China. The council protested on 16th August, as did the British and American commanders, and the Japanese apologised. On 3rd December the Japanese insisted on holding a victory march through the international settlement in spite of protests by the commanders of the British and American forces in Shanghai and the ambassadors of the two powers in Tokyo. Not surprisingly there was a bomb incident which resulted in fresh demands upon the municipal commissioner of police to which the municipal council refused to agree. There was a further incident on 6th December when the Japanese arrested four Chinese in the settlement itself. Britain protested and they were released with a formal Japanese apology on 7th December. The Japanese used the incidents to undermine morale of the municipal police whom they castigated as ineffective. On their side the council did warn people on 1st January 1938 that they would be liable to be handed over to the Japanese if they committed an offence against the armed forces, and reissued the warning on 19th July.

On 4th January the Japanese presented demands including increased Japanese participation in the police force, which the council handed to the western governments. It had become obvious

112. Shanghai Municipal Council Report of 1937.p.96.

113. F.C.Jones Shanghai and Tientsin.

by this time/that the Japanese were using the incidents to increase their participation in the municipal government. Two choices were open to them: They could increase their share in public bodies like the police, and so gain virtual control: Or they could use intimidation against powers holding individual Concessions (viz Tientsin). As Shanghai was an international settlement they used the first method in order to prevent an alliance of powers against them.

Their demands of 4th January met with a cool response from the governments concerned. Britain made it known that after consultation with other powers "all had agreed that they should support the council in opposing any attempt on the part of the Japanese to interfere with the functions and the character of its administration."<sup>114</sup> But she did go on to say that there was a certain force behind the Japanese contention that they did not have enough representation on the council. They offered no solution however and had already refused to modify the land regulations, which were the conditions under which the settlement was administered.<sup>115</sup> The council, assured of diplomatic support refused the Japanese authorities demands on 18th March,<sup>116</sup> meanwhile proposing a scheme for increasing the Japanese personnel in the police force. Although the Japanese were disappointed with the result they let the matter rest, and the question of her admission into a larger share in the proceedings of the council remained until the end of 1938.

J

THE BRITISH POSITION IN TIENTSIN - JULY 1937-AUGUST 1938

At Tientsin the dispute with Japan differed in that, whereas Shanghai was an international settlement, Tientsin was not.

114. Under Sec. for Foreign Affairs in House of Lords 15th Feb.

115. 329 HC. Deb. 5s p.1568 and p.1672.

116. 333 HC. Deb. 5s p.1172.

Therefore the Japanese could employ different means, and bring individual action to bear on the powers separately. The British stake in Tientsin was by far the largest of the foreign powers,<sup>117</sup> and at Tientsin she also owned a concession: Britain therefore had most to lose by the Japanese aggression.

After the Japanese had seized Tientsin there were two main sources of dispute with the British. Firstly, the Japanese were incensed at the British refusal, and that of the western financial and mercantile houses, to assist their banking and currency schemes. Secondly the Japanese claimed the inefficiency of the municipal authorities in quelling anti-Japanese acts. And, as in Shanghai they also claimed, through right of conquest, the sovereign rights of the Chinese government over the Chinese in the concession, and other organs such as the salt gabelle and the postal administration. The British and French denied the existence of such rights; particularly in view of the fact that no formal state of war existed between the Chinese and Japanese. The local authorities did tighten measures to prevent anti-Japanese acts, but refused to hand over for trial men accused by the Japanese of acts of terrorism, without prima facie evidence. In January 1938 the Japanese threatened to enter the British Municipal Area because the British authorities refused to hand over a Chinese allegedly guilty of anti-Japanese acts. But the officer commanding the British forces intimated that such an attempt would meet armed resistance, and the Japanese moderated their attitude.<sup>118</sup> The situation remained tense, however, until the autumn of 1938 when it again flared up, and the Japanese ordered their residents on 31st August to leave the concession.

117. F.C.Jones Shanghai and Tientsin.

118. ibid.

THE BRITISH ATTITUDE TO JAPANESE FISCAL POLICY.

To see the Japanese fiscal policy in its proper context one must return to the Chinese monetary reforms of 1935 which inaugurated a managed currency and demonetized silver. As this cut across the Japanese plan for economic and financial domination of North China the Japanese refused to co-operate. They put pressure on North China to stop the silver from Peking and Tientsin (\$50/60 million) from being sent to the Central Bank of Shanghai. But the Chinese monetary policy was proved a success, and as a result the Japanese, especially after 1937 decided to introduce a new currency and force the yen out of circulation in North China to further their economic policy.

Their first move was to introduce a new State Bank of issue, The Federal Reserve Bank, on 11th February 1938 at Peking with a capital of Chinese dollars 50 million. The Japanese had, of course, counted on securing as their main reserve the silver still stored in the British and French vaults at Tientsin and Peking. But the Chinese managers of these banks avoided pressure by fleeing to Hong Kong. The Japanese therefore looked for assistance to the foreign powers in whose banks the silver was kept. But this was withheld since the British saw the Japanese fiscal policy as a danger to their own position in North China, as their trade was geared to the yen and Japanese fiscal policy was monopolistic. They also held that it would be a breach of faith on their part to allow unauthorized access to this silver, or to compel its removal outside the foreign administered areas where it could be seized by the provincial government. The Japanese, however, held that the silver belonged to the people of North China and was the backing for their notes. Nationalist China's claim was that they had provided foreign exchange against North Chinese notes even

though the silver was held in the concessions in Japanese-occupied territory.

On 30th June, 1938 the puppet provisional government at Peking declared/<sup>that</sup> the Tientsin branch of the currency reserve board, to which the silver had been entrusted by the Chinese government, had been replaced by the Peking-Tientsin silver custody committee. In communicating this to the British embassy at Peking the Japanese said they placed great importance on the transfer of the silver. The British however refused to contemplate such a move. As Sir J. Brennan said later in a foreign office memorandum of 2nd November, 1939, whoever wanted the silver/<sup>it</sup> was certain that none of the parties - the National government of China, the people of North China, or the two northern branches of the banks, whose notes were given in payment for the metal - desires that the silver should be handed over to the Japanese authorities.<sup>119</sup> Had the Japanese gained possession of the silver they would have used it to support the Federal Reserve Bank currency and destroy the Chinese national currency, with the main object of concentrating economic control in their own hands and depriving the foreign, especially the British, mercantile community, of the only medium for conducting trade.

The Federal Reserve bank made slow progress for the reasons above, and also because it did not have sufficient specie backing and was not freely convertible. Hence the Western Banks would not accept their notes. Japanese efforts to procure foreign exchange were partially frustrated by the help of western financial organs in China.<sup>120</sup> In their concessions at Tientsin the British and French municipal councils permitted ratepayers to pay their dues in the new currency to avoid trouble. But it was the British refusal to prohibit the use of the Chinese national currency

119. Documents on British Foreign Policy 1919-1939 Third series (hereafter referred to as BD.) IX App.3.

120. F.C.Jones. Japans New Order in East Asia p.147.

notes in Tientsin which was one of the major sources of conflict between Britain and Japan. But not until March 1939 did the British government take any steps to aid the Chinese currency.

## L

THE BRITISH ATTITUDE TO JAPANESE ECONOMIC POLICY.

Japan's fiscal policy was part of her general economic policy in China. On 22nd January 1938 the provisional government of the Chinese Republic proclaimed a revision of all the import and export rates of the Chinese National governments tariff of 1934. Although there was no discrimination as to the country of origin the British ambassador in Tokyo was instructed to protest on the ground that the introduction of a special tariff for North China was contrary to the treaty provisions for a uniform tariff for all China, and prejudiced the integrity of the customs administration.<sup>121</sup> On 24th March Butler stated that although the new rates tended to favour Japanese trade only one trade organization had complained of prejudice. He also said that the Japanese government, in their reply to the British note of protest had disclaimed responsibility for the revision of tariff rates enacted by the Peking government. She also denied discrimination.<sup>122</sup>

Such might have been the case in January 1938. On 28th March, however, the reformed government of the Republic of China was inaugurated at Nanking, and on 31st May issued, with the Peking government, new tariff rates in areas under their control.<sup>123</sup> The Oriental Economist however saw these new tariffs as the foundation stone for the new economic bloc. In respect to foreign goods The Oriental Economist declared Great Britain, the United States and Germany enjoyed the full benefit of the revised tariffs, although not perhaps to the same extent that Japan would under ordinary circumstances.<sup>124</sup> Whatever might be the case in law, however, in

121. 331 HC. Deb. 5s pp. 394-6.  
 122. 333 HC. Deb. 5s p. 1386.  
 123. Finance and Commerce June 8th 1938 and 333 HC. Deb. 5s p. 2022.  
 124. Oriental Economist, July 1938 p. 417.

fact British trade as a result suffered. One result of the acts was the establishment of Japanese monopolies. Its effects on the commercial interests of the British at Tientsin were great. The Japanese wool monopoly brought protests from Britain and America. The Japanese denied any restriction, but their effect resulted in the exclusion of British merchants from the export trade in cotton, and only with great difficulties did they retain a portion of the wool trade. The Japanese North China Development Company was concerned with all the monopolistic practices, and British interests in North China were thus confronted with a large Japanese government controlled concern exploiting on a monopolistic basis.<sup>125</sup>

M

THE BRITISH ATTITUDE TOWARDS THE CHINESE MARITIME CUSTOMS AND THE ANGLO-JAPANESE CUSTOMS AGREEMENT.

One of the main sources of dispute in North China was the Maritime Customs Administration. An international organization it was one of the greatest stabilizing influences in China: But being largely British staffed (the Inspector General was British) it was distrusted by the Japanese. Between November 1937 and May 1938 the Japanese threatened to take over the customs both at Tientsin and Shanghai but held their hand as long as the Customs co-operated with them under pressure. At Shanghai the revenue was paid into the Hong Kong and Shanghai Bank. But in Tientsin where Japan only faced the individual powers she was able to insist, from November 1937, that the Customs Revenue be deposited with the Yokohama Specie Bank to prevent the money reaching the Chinese National government.

This was more than a local issue and involved Great Britain, as Japanese statements had raised doubts that, although they claimed the sovereign-Chinese rights over the Customs, they did not intend

125. Far Eastern Survey Oct. 12th 1938.

126. 329 HC. Deb. 5s p. 2048.

to respect Chinese financial obligations. The British government therefore deemed it advisable to leave the Japanese in no doubt as to their claim to be consulted in any arrangement that might be made concerning the Chinese customs. After conferring with America and France they sent instructions to this effect to their ambassadors in Tokyo,<sup>126</sup> as did the other Powers. The Customs were the subject of frequent representations.<sup>127</sup> Although the Japanese assured the British at the end of November 1937 that "due consideration would be given to the views of foreign powers,"<sup>128</sup> their attitude towards the servicing of foreign loans secured on the customs revenue, was far from satisfactory. Shortly after their occupation of Chinese posts and Customs post the Japanese had stated that remittances would be paid to cover the proportion of this due from the Tientsin revenue.<sup>129</sup> But this did not prove to be the case.<sup>130</sup> As a result it was decided by the British government to try and remove this cause of friction by negotiation. Since February the British ambassador in Tokyo had "been carrying on unofficial conversations with the Japanese Minister for foreign affairs regarding the servicing of foreign obligations secured on the revenues of the Customs."<sup>131</sup> On 3rd May, 1938 the Anglo-Japanese Customs Agreement was signed. This consisted in temporary measures lasting for the period of hostilities for the servicing of foreign loans.<sup>132</sup> On 4th May Chamberlain said in Parliament that these arrangements appeared to the British government "to offer the best guarantee obtainable for safeguarding the interests of the holders of China's foreign obligations secured on the customs revenue and thereby to assist in maintaining China's credit."<sup>133</sup>

The Chinese were alarmed at this temporary agreement between Great Britain and Japan regarded it as co-operation. Such was not the

127. 333 HC.Deb.5s p.1387 and 334 HC.Deb.5s p.191.

128. 330 HC.Deb.5s p.362.

129. Eden in Commons Nov.24th 1937.

130. H of L 107.Feb.15th 1938.

131. Sir R.Craigie op.cit. p.53 and 335 HC.Deb.5s pp.848-9.

132. For details - China Year Book (1939) p.97.

133. 335 HC.Deb.5s p.848-9.

case as Butler pointed out on 12th May: "... There is nothing in the arrangement recently negotiated in Tokyo to justify the suggestion ... that His Majesty's Government have acquiesced in any interference with the customs service and its present international personnel. On the contrary His Majesty's Government have repeatedly impressed upon the Japanese government the interest which they take in maintaining ... the integrity of the maritime custom's service ..."<sup>134</sup>

It was assumed that China would agree, but this she refused to do. She pointed out that by singling out some obligations for favoured treatment, and by sanctioning the diversion of revenue from others - viz. domestic loans, it undermined the position of the customs as a security. But although the British agreement was inoperative because of the Chinese refusal it may well have prevented the seizure of the whole custom's administration, which would have been detrimental to Chinese and British interests alike.

134. ibid. pp.1732-3.

## PART II

## A

GENERAL INTRODUCTION TO BRITISH POLICY DURING 1938-1939.

It was decided in the summer of 1938 that Sir Robert Craigie should have talks with the new Japanese Minister for foreign affairs General Ugaki on a semi-official and personal basis.<sup>1</sup> This idea was both in keeping with foreign office inclinations and Ugaki who wanted the talks to cover "the whole field of British rights in China."<sup>2</sup> Britain, faced with the increasingly dangerous Czechoslovak question, was more than anxious to keep in close touch with Japan and try if possible to detach her sympathies from the dictator states. But the talks were accompanied by increased Japanese military operations around Hankow and in Southern China.<sup>3</sup> This resulted in the closure of the Yangtse to international shipping and increased vituperation against Britain.<sup>4</sup>

On 26th July Craigie handed Ugaki a list of five "reasonable" demands concerning the Yangtse navigation.<sup>5</sup> Japan did not answer the British note for a month, and the substance of their eventual reply was "profoundly disappointing".<sup>6</sup> Agreement failed over the questions of currency and more particularly the Japanese demand that Britain should stop "supporting Chiang Kai Shek" and "co-operate with Japan."<sup>7</sup> Unfortunately in this latter case Britain fell between two stools, neither placating Japan or sufficiently aiding China.<sup>8</sup> Clarke-Kerr, the British ambassador in China, stated on many occasions that he not only had to keep the Chinese in a state of perpetual hope, but of actual unfulfilment. This was a source of embarrassment to Britain as the Chinese portrayed themselves as fighting Britain's war for her. Ugaki fell from power in November

1. 338 HC.Deb.5s p.3034 and p.3976: Also Sir.R.Craigie op.cit. p.61.

2. F.C.Jones op.cit. P.135 and 338 HC.Deb.5s p.2687.

3. B.D.VIII nos.99 and 86.

4. ibid.No 95.

5. ibid.No 6 note 2.

6. ibid.No 86.

7. Sir R.Craigie op.cit. p.61.

8. B.D. Vol.VIII No.52

and the injury to Britain's interests in China increased, as did her protests. Craigie continued the talks with Arita and Tani, the new foreign and vice-foreign ministers, that had been interrupted by General Ugaki's resignation: But the talks were not on the same friendly basis.

During 1938-1939 British policy towards the Far East depended upon three factors: The European situation: The attitude of the United States: and the progress of British rearmament (especially naval rearmament). Britain believed that Japan had bitten off more than she could readily digest in China. Therefore she waited. Clarke-Kerr frequently insisted that "with help from outside the Chinese could maintain their resistance long enough to make it effectual."<sup>9</sup> Even Craigie reported that Japan's margin of safety was small and that she was peculiarly susceptible to economic pressure from outside. The problem therefore as seen in the British foreign office "was the extent to which, out of immediate and short-term necessity His Majesty's government had to submit to Japanese attacks upon British interests, to withhold from China much of the aid which Britain was otherwise willing to give, and to wait until the three factors mentioned above had become more favourable."<sup>10</sup>

For Craigie the way out of this maze of difficulties was neither to surrender to Japanese demands, nor to drive the Japanese into war by action which they could interpret as direct assistance to China; but to try for some general settlement in the Far East, which would safeguard Chinese independence and foreign interests in China, and at the same time satisfy all reasonable Japanese claims. To the British foreign office the European situation, and, as a corollary, the need to keep in line with American action and opinion were the dominant consideration. "They had to take into account the arguments of Clarke-Kerr in favour of giving more help to China, and also those of Sir Robert Craigie in favour of showing a more conciliatory

9. ibid.No.266.

10. B.D.Vol.VIII p.IV.

attitude towards Japan, and preventing the Japanese from regarding the total exclusion of British interests from China as essential to the self-protection of Japan. This task of reconciling opposites was not easy; it was rendered more difficult by the tone of public opinion in Britain," for which, by her actions, Japan was mostly to blame. "From the point of view, however, of conducting a foreign policy backed by insufficient resources, there was considerable danger in the attitude of a public opinion which, in its demands for action on behalf of China, often forgot/<sup>that</sup>the ultima ratio of such action might not exist in British hands."<sup>11</sup>

As far as Chamberlain was concerned little else could be done. As he said in the House of Commons on 19th December 1938 "I should like to repeat my conviction that the foreign policy of His Majesty's Government during the last eighteen months has been right all along. If I had to live those eighteen months over again I would not change it by a jot. Whether it ultimately achieves its aim, remains to be seen, but that is not a matter which depends on us alone. Even if it were to fail, I should still say that it was right to attempt it. For the only alternative was war, and I should never take that awful responsibility upon my shoulders unless it were forced upon me by the madness of others."<sup>12</sup>

America saw Great Britain as an important factor in Europe and the Far East. If Europe was the key to international action in the Far East, Great Britain was regarded as the keystone of Europe. Generally America considered that there was little prospect of British participation let alone initiative in any drastic economic move against Japan. Secondly that whatever course Great Britain might pursue she would be moved by her national and imperial interests and nothing else. It was moreover generally assumed that British policy in the Far East was aiming towards a stalemate. A British loan to China did not necessarily mean that Great Britain was

11. B.D. Vol.VIII p.V and no.149.

12. 342 HC.Deb.5s 19th Dec.1938 pp.2521-30.

backing a Chinese victory, but merely that she was no longer certain of a Japanese victory. (On the face of it loans and credits coming as they did, at a time when everyone realized that a Japanese victory was still far off, if ever, did seem suspicious. Britain was seen as bolstering the Chinese who had done most of the fighting themselves.<sup>13</sup>

In Britain it was realized that the safest course was to keep Japan talking. Viscount Halifax, the British foreign secretary, was aware that Japan was awaiting the outcome of the Czechoslovak crisis, and that neither government would go out on a limb until this had resolved itself.<sup>14</sup> After Hitler's Nuremburg speech, however, vituperation against Britain increased. In Britain too the public demands for action increased.<sup>15</sup> The British government found it necessary from time to time to make public announcements. These were a source of embarrassment to the government as they were bound to annoy either the Japanese or the Chinese. The speeches of 26th and 27th July 1938 by the British Prime Minister and Secretary for State reaffirmed sympathy with China but aroused a furore in Japan.<sup>16</sup> Likewise the Prime Minister's speech of 2nd November concerning British aid to any reconstructed China,<sup>17</sup> and its subsequent misbroadcasting by the Japanese, aroused Chinese fears that Britain was anxious to see the conflict terminated in order to lend money to Japan to enable the latter to complete her domination of China. Britain had to quell Chinese doubts. But at the same time it was realized in Britain that it would be impossible to return to the old Anglo-Japanese friendship without recognizing some Japanese control of North China.

Even in the context of negotiation the British government was open to the danger of being forced to compromise because of the lack of force to back her words. The obvious, but impractical answer, was co-operation with the United States. Supposing this to be a

13. Miriam S. Farley - Pamphlet p.48.

14. B.D. VIII Nos.80,54 and 111.

15. ibid. no.149.

16. ibid. nos.41 and 86.

17. ibid. no. 196 and 340 HC. Deb.5s pp.69 and 82.

possibility she ran the risk of being accused of threats and bringing pressure to bear on Japan.<sup>18</sup> Chamberlain's resultant policy was one of no responsibilities, and no liabilities. Only on the principle of her treaty rights to China would Britain stand firm, because she ran the risk of being accused of deserting her League Commitments by the United States and China.<sup>19</sup> Great Britain, was, within this framework, prepared for a "fair and comprehensive general settlement with Japan" in general peace efforts on fair terms for all.<sup>20</sup> If it had no tangible results, British policy at least stopped all British concerns from being attacked and bringing British trade to a standstill.<sup>21</sup> Hull in his Memoirs supports this policy "The policy pursued by the United States and other democracies did not, it is true, prevent Japan from continuing her war in China. But on the other hand it did prevent her from imposing her own peace on China. It marshalled world opinion against her."<sup>22</sup>

It became clear to the Japanese, that they could never hope to end the Incident by localizing the action. During 1938, therefore their objective was to try and break the back of Chinese resistance by capturing Hankow and Canton. Canton fell on 21st October and Hankow on 25th October 1938, but the Japanese postponed their invasion of South China possibly because of fear of complications with Great Britain, who owned Hong Kong and a territorial section of the Canton-Kowloon railway. In any case it was no coincidence that the Japanese invasion of Kwantung synchronized with the crisis in September 1938, when Britain was preoccupied by an imminent danger war in Europe. Britain's inaction at this stage proved to the Japanese army that she was too strongly wedded to peace, or unprepared for war, to oppose the Japanese attack on Canton, in spite of China's desperate need for aid. On the other hand Japan by her actions alienated the democracies who were steadily rearming. This, together

18. ibid.No.25.

19. ibid.No.64.

20. ibid.

21. ibid.No.99.

22. Hull (i) op.cit.p.571.

with Russian recovery after the purges, and Japan's huge financial drain in China, put Japan in a vulnerable position.

During November and December 1938 the Japanese attitude continued to stiffen. The Munich honeymoon had brought no lessening of tension in Europe: In the East likewise it brought no relief.<sup>23</sup> The second Konoye declaration of 22nd December enshrined western fears, and was in logical sequence to his other declaration of November. British protests increased especially concerning punitive measures taken against Tientsin. Chinese pleas for aid relayed through the British ambassador in China grew in volume,<sup>24</sup> especially after the fall of Canton. Outside the framework of the League they emphasized the help which the United States was giving them, to try to squeeze assistance out of Britain. Chiang Kai Shak emphasized to the West that Japan was vulnerable to embargoes, and would back down under the threat of war. "Great Britain" in Chinese eyes, "has ... arrived at the moment when a decision on this point can no longer be deferred."<sup>25</sup> The date of the Kuomintang conference was put back until December to give Britain time to take a stronger line.<sup>26</sup> Britain, declared Chiang, should dismiss the hope of saving anything from China, for if Japan won Asia Britain would save nothing at all.<sup>27</sup>

Whatever might have been the Chinese view, however, Chamberlain had no intention of radically altering British policy. As Halifax said on 19th October to Clarke-Kerr, "We do not at present anticipate that Japan will go to excessive lengths provided we maintain firm attitude." The Japanese invasion of South Western China he saw as "an extension of an already existing situation and does not really confront us with a new problem."<sup>28</sup> To Japan Britain on 14th January 1939 declared their intention of adhering to the Nine Power Treaties, and that until Japan was more constructive in her proposals Britain was not prepared to modify her attitude.<sup>29</sup> It was, as Halifax said

23. B.D. Vol.VIII No.338.

24. ibid.No.160 and 174.

25. ibid. No.160.

26. ibid.

27. ibid.No.233 and 196.

28. ibid.No.161.

29. ibid. No.431.

to Craigie on 5th January the very ambiguity of Konoye's remarks which alarmed both Britain and the United States.<sup>30</sup>

Britain hoped that because of the bad relations between America and Germany over the Jewish question the former would play a larger part in the Far East. Characteristic of the stiffer attitude displayed by the United States was their discouragement of credits and the sale of munitions and planes to Japan.<sup>31</sup> But concerted action was once again spoilt by the unilateral action which the Americans took over Japan's proposed New Order. On 6th October the United States sent a comprehensive note to Japan enclosing three demands concerning Japanese discriminations, and hinted that if they were not complied with reprisals might follow.<sup>32</sup> The Americans received no official reply until 18th November,<sup>33</sup> but Japanese actions spoke louder than words.<sup>34</sup> The development of their aggression had been systematic since the fall of Canton and Hankow in October. Britain's own note of 14th February followed the American note closely.<sup>35</sup>

America's attitude towards joint action weakened British policy. This, with the failure of Munich, lent support to Japanese belief that Britain would not stand up for herself. Against this there were signs of a more active British policy especially after the southward move of Japan. Britain had begun negotiations with America for a currency stabilization loan and credits for Japan in late 1938. This close contact continued.<sup>36</sup>

During the early months of 1939 the worsening of the political scene in the Far East continued. The Japanese seized Hainan island in February, and claimed the Spratley isles in March. This perturbed the Americans in the Philippines and the French in Indo-China.

30. ibid. No.396.

31. ibid. No.160 and 223.

32. ibid. No.134 and Foreign Relations of U.S.A.-Japan 1931-41 Vol.i pp.820-6.

33. ibid. No.256 and R.I.I.A.Docs.1938 i pp.354-361.

34. Grew 10 Years in Japan p.229.

35. B.D. VIII No.431.

36. ibid. No 362.

The question which came under closer consideration in Britain, as a result, was the possibility of retaliation in the face of Japanese threats to Shanghai, Tientsin and the Yangtse trade. The most feasible form of retaliation was indirect in the shape of a currency stabilization loan on commercial credits to China. At the same time Britain attempted to move the local talks being conducted between the Japanese army and the British consular authorities at Tientsin to the quieter atmosphere of Tokyo.

Early in 1938 there were discussions in London between the United States Director of the War Plans division, Navy department, and his British counterpart. They had discussed the possibility of co-operation in the event of an Anglo-American war with Japan. At the time the Admiralty were prepared to send some ships to Singapore, but would not commit themselves to numbers.<sup>37</sup> Unfortunately the state of Britain's naval preparedness prevented her from sending a large fleet to the East as it was needed in European waters. No British fleet could go unless the danger of a simultaneous war with Germany had been eradicated. At the British foreign office the problem was seen as one between sending either part of her battle fleet to the Far East before aggression took place, or of sending it only after aggression had occurred. There were points against each solution. If the British fleet was split it might be overwhelmed separately, as Britain could only send eleven capital ships against Japan's ten. Conversely if no fleet were sent until after aggression had taken place it could not be used to prevent the establishment of a new regime, and might be overwhelmed before it got there. It would moreover be in strange waters - always a disadvantage in naval warfare. Another argument put forward was that only a small number of ships in eastern waters would probably act as a deterrent to Japanese aggression.<sup>38</sup> A small fleet was quite sufficient in view of the fact that Japan would not use all her fleet because of the fear of an American or Russian flank attack.

37. Pearl Harbour Attack Pt.9. pp.4274-5.

38. B.D. Vol VIII Nos.338 and 487.

The most obvious deterrent was obviously the possession of more capital ships, as with the number of ships available in the spring of 1939 the Far East could not be defended. Naval armament was therefore essential.

American co-operation in naval matters was also essential. If as the Foreign office believed a small fleet at Singapore was the most effective deterrent, they also believed that an American contribution to naval strength, which seemed more than possible in early 1939, would lessen the risks. The defence of the Far East they saw as a long term measure for the permanent defence of British interests in the East, not merely as a means of "devising measures which would have any direct or immediate effect in inducing Japan to pay greater regard to British interests in China itself" as Craigie had inferred in a letter to the foreign office on 14th December 1938.<sup>39</sup> In spite of the British desire for American, naval support, and because of the threatening European situation, the British had to inform America on 22nd March 1939 that, while it had promised the Australian government to send a fleet to Singapore it now felt unable to do so. The Admiralty had decided it was impossible to send a fleet, however small, to the Far East, because, even with their future strength, they had not sufficient naval power to equal the combined strength of Germany, Italy and Japan.<sup>40</sup> The British decision was also influenced by the French government's assurance that if the British Mediterranean fleet was sent to the East it would not co-operate in any further opposition to Hitler in central and eastern Europe. Britain therefore asked America if she would consider transferring her fleet back to the Pacific. On 15th April the United States ordered its fleet back to the Pacific.

39. ibid.No.338.

40. B.D.Vol VIII App.1.

BRITAIN AND THE LEAGUE OF NATIONS.

In June and July 1938 the Japanese secured the removal of the German military advisers from China. The Chinese, in view of their increasing impotence to resist the Japanese, and the reluctance of the western powers to contemplate anything smacking of embargoes appealed to the League in September. Britain had warned them against involving article 17 of the League Covenant as they knew the attitude of the League would be the same towards China as it had been towards Abyssinia and Spain. Halifax counselled the Chinese to appeal to the League on grounds of humanitarian motives and request aid. This way British aid could be cloaked.<sup>41</sup> Britain also knew what Japan's reaction would be towards Britain's part at the League.<sup>42</sup> She was in fact warned by Japan against giving help to China under article 17, as this would damage any hopes of an Anglo-Japanese entente. As Halifax pointed out to Craigie on 1st September "the Japanese invariably affect surprise whenever an animal it attacks is so vicious as to defend itself."<sup>43</sup> On 30th September, however, the League resolved that members were entitled to adopt individually the measures prescribed in article 16. The Japanese immediately blamed Great Britain, and refused to co-operate with the League.<sup>44</sup>

In reality the situation remained virtually unchanged. British policy was not affected. League action was fixed by the great powers and there was, as Halifax pointed out to Craigie on 17th October no possibility of concerted action. While any member of the League was entitled to take action under article 16, no one was going to do so because there was no possibility of concerted action, which incidentally, Halifax added, it was the object of the 1921 resolutions to secure.<sup>45</sup> In any case on a purely academic

<sup>42</sup>. ibid. Nos.77 and 126.

<sup>41</sup>. ibid.No..77.

<sup>43</sup>. ibid.No.65.

<sup>44</sup>. F.C.Jones op.cit. p.136.

<sup>45</sup>. B.D.VIII No.159.

<sup>46</sup>. ibid.No.126 and F.C.Jones op.cit.p.136.

point neither Japan or China had declared war, and without an official state of war existing article 16 could not be invoked.<sup>46</sup> In this way League commitments were circumvented.

On 17th January 1939 the Chinese again asked for more concrete steps to be taken under the previously accepted resolution,<sup>47</sup> although Britain had again warned them of the result.<sup>48</sup> The Chinese, conscious that too violent an appeal would have no response, made no mention of convening the Nine Power Conference or of the advisory committee of the League, but asked that a committee be set up to co-ordinate measures of assistance to China.<sup>49</sup> Britain managed to resist the extension of the resolution to include the establishment of the commission for "co-ordinating such effective measures to repudiate the Japanese claim to set up a new order in the Far East."<sup>50</sup> Britain's role was to endeavour to leave the position exactly as it was before. On 20th January the League council passed a resolution recalling previous resolutions, particularly those of 6th October 1937 and 2nd February 1938.<sup>51</sup> The very fact, however, that the League had met aroused Japanese resentment and she again blamed Britain. The army party used Britain's League commitments to accuse her of being behind the Chinese resistance.

In May the Chinese asked Britain and France to make a similar move to the American Pittman resolution.<sup>52</sup> The Chinese Minister for foreign affairs also suggested to Clarke-Kerr that at the next session of the League council, due to meet on 22nd May 1939, "steps should be taken to set up a co-ordination committee composed of representatives of governments interested in the Far East, for instance ourselves (Britain) the French and Soviet to consider the question of imposing an embargo on supplies to Japan."<sup>53</sup> They pointed out that Japan's aims towards the western interests were clear, especially after the occupation of Hainan and the Spratley

47. B.D.VIII No.417.

48. ibid. No.425.

49. ibid.No.430

50. ibid.No 434.

51. ibid.No 446.

52. B.D.Vol IX No.38.

53. ibid.

54. ibid.No 43 and For.Rel.of U.S. 1939  
Vol.III pp.103-124.

islands.<sup>54</sup> But, as Howe pointed out to the Chinese ambassador on 4th May "it was futile to expect the League to be able to take any positive concrete action in the sense desired ... /the League/ ... was not in a position to adopt a policy of sanctions against any great power. The brunt ... would fall upon Britain ... who would thus be exposed to the full force of any counter-measures which a policy of sanctions might provoke." Great Britain was "not in a position to risk exposing herself to any such possibility. If the League had been in a position to take effective action against aggression, His Majesty's government would not now have been compelled to go outside the League framework in order to set up a barrier of anti-aggression forces which they were at present engaged in constructing. It was also useless to consider any policy of sanctions against Japan in which the United States did not take part."<sup>55</sup> And Britain's approach to America at this time proved their belief in the latter's unwillingness for concerted action.<sup>56</sup> Thus although Britain was moving along the road to collective security, she would not do it through the League, and only in her own good time. Although the Japanese complained of British and American fortifications in the Pacific /at Singapore, Port Darwin, Alaska, the Wake, Midway, Johnston and Aleutian islands/; and although the two powers were in the grips of a new situation, they had to tread carefully. All Britain could do at this stage was to reiterate her sympathetic consideration of Chinese requests in the League council.

Nevertheless when the League did meet, the Chinese introduced a recommendation asking "that a committee be set up to co-ordinate such measures already adopted."<sup>57</sup> Britain again restated her sympathy, but said that the time was inopportune for the establishment of a committee.<sup>58</sup> Accordingly when the League passed its resolutions on 27th May they merely restated the hope that Member states would

55. ibid. Note 3.

56. B.D. Vol. IX. nos. 87, 90 and 93.

57. ibid. No. 105.

58. League of Nations Journal 1939 Nos. 5-6 pp. 254-5.

59. B.D. Vol. IX No. 111.

consult with the Far East Advisory Committee and give effect to resolutions already passed.<sup>59</sup> The Chinese expressed disappointment, but "hoped that the action contemplated under the resolution would lead to more effective measures of assistance."<sup>60</sup>

During the conference the League also requested further information concerning the bombing of Chinese civilians by the Japanese. The Union of Soviet Socialist Republics asked for publication of the details, and Britain agreed subject to the approval of the government by whom the information was supplied.<sup>61</sup> Britain suspected China of trying to manoeuvre her "into becoming the spearhead of anti-Japanese propaganda," over supplying information on the bombing of China.<sup>62</sup> Halifax therefore, stipulated that Britain should not pass any more information than anyone else, and should concert with France and America on information. In Parliament face-saving words were used declaring that Britain had warned Japan, of "the deplorable effects bombings would have on public opinion" in Britain, and that she would "take such steps as ... to bring the Japanese to recognize the futility of such bombardments."<sup>63</sup>

C.

#### BRITISH MEDIATORY MOVES IN THE SINO-JAPANESE CONFLICT.

One reason why the Chinese had been led to their invocation of article 17/<sup>was</sup> by the renewed Japanese advance in Southern China, and the failure of moves for mediation which had started before the fall of Hankow.<sup>64</sup> At that time the Chinese government had asked Britain for joint or parallel action to bring about the cessation of hostilities. At the same time Tani, in charge of the Japanese embassy in Shanghai, gave out unofficially what terms Japan might accept.<sup>65</sup> On this occasion Britain used her 'good offices',

60. ibid. No.125.

61. ibid. No.111.

62. ibid. No.156.

63. ibid.

64. B.D.Vol.VIII No.5.

65. ibid.No.11 note 8.

66. ibid.

not mediation as this might/ <sup>have</sup> appeared as pressure to the Japanese.<sup>66</sup> The British ambassador in Tokyo objected to any joint offers of peace as he doubted American support, if the Japanese rejected British moves.<sup>67</sup> In view of what Hull says in his Memoirs he was correct.<sup>68</sup> Craigie's own suggestion was one of private soundings. He also believed it was imperative to get the Chinese to agree to the Customs Agreement, and to give no further aid to them, if mediation with Japan was to be successful. In any case he was convinced that no form of mediation could save Hankow.

Britain eventually did make private soundings.<sup>69</sup> This, as the British ambassador in China pointed out, was not what China had originally asked for; their aim being a sharp public warning to Japan.<sup>70</sup> Craigie, however, was not interested in sharp public warnings but only conciliatory approaches. As it happened the British discovered that, although the Chinese had stated they had approached the United States in the same vein, in fact, they had only asked Britain. Britain feared she would be made the spearhead for pressure on Japan and told China that the time was not opportune for mediatory proposals.<sup>71</sup>

in October 1938

With the fall of Hankow/hopes of mediation faded. Craigie had said that the Japanese would not talk peace until the fall of Hankow.<sup>72</sup> It was true to say that after its fall peace talks became even more unlikely. Britain therefore viewed Kano's peace proposals of October with scepticism especially the one referring to equality of opportunity in China.<sup>73</sup> In view, however, of her inability to offer any alternative substitutes Britain, as Halifax said to Craigie on 26th October, had to follow up any peace proposals and keep the doors open to negotiation.<sup>74</sup> Consequently Britain

<sup>67</sup>. ibid. No. 12.

<sup>68</sup>. Hull op.cit. p. 570.

<sup>69</sup>. B.D. Vol. VIII No. 21.

<sup>70</sup>. ibid. No. 18.

<sup>71</sup>. ibid. No. 21.

<sup>72</sup>. ibid. No. 171.

<sup>73</sup>. ibid. No. 178.

<sup>74</sup>. ibid. and 284.

<sup>75</sup>. ibid. 176.

did follow up Kano's suggestion of an Anglo-German peace move,<sup>75</sup> but it came to nothing as the one of the previous year. Japan continued to declare that she was willing for peace,<sup>76</sup> but her terms were couched in ambiguities like the Konoye declarations. As the British ambassador in Tokyo declared to the Japanese minister for foreign affairs on 17th February 1939 "the real bar to peace seemed to me to be in the character of the Japanese conditions of peace, and failure to reduce to more concrete terms the vague and ominous statements of 22nd December." It was he added important to be more definite.<sup>77</sup> This was, of course, if the Japanese were sincere.

## D

BRITAIN AND THE ANTI-COMINTERN NEGOTIATIONS.

Since the German-Japanese anti-comintern pact of 25th November 1936 negotiations for a strengthening of this alliance had continued.<sup>78</sup> Negotiations, at first abortive, to join Italy and Japan together in a pact of this nature, materialized in a different form on 6th November 1937 when a protocol provided for the accession of Italy to the German-Japanese pact. Agreement over "putting teeth into the pact"<sup>79</sup> was prevented by the Japanese fear, felt particularly by her navy, that she would be dragged into a European war.<sup>80</sup> Japan was prepared for any military agreement against the Union of Soviet Socialist Republics, but not against Britain. General Ugaki had been particularly sensible of this.<sup>81</sup>

The fall of Ugaki intensified rumours of an impending strengthening of the anti-comintern pact.<sup>82</sup> Although ostensibly negotiations were directed against Russia, Britain was aware that Germany was trying to drag Japan into more general commitments.

76. ibid. Nos. 295 and 305.

77. ibid. No. 491.

78. Report by Keitel 8th July 1937 (Political Intelligence Dept. F.O. Doc. Section GAP/C. No. 73.)

79. Sir R. Craigie op.cit. p. 70.

80. F.C. Jones op.cit. pp. 102-8.

81. ibid. p. 104.

82. Sir R. Craigie op.cit. p. 70.

83. B.D. Vol. VIII No. 124.

On 4th October 1938 and 4th February 1939 Britain warned Japan what a strengthening of the anti-comintern would be taken to mean in the west,<sup>83</sup> and added that Japan would find a powerful opposition against her, against which the Germans and Italians would be useless.<sup>84</sup> Japan was aware of this danger, and realized that neither Italy nor Germany could afford her any help of military or naval significance in the Far East. This was underlined by the return of the American fleet to Pacific waters in April 1939. She denied, however, that the Pact was directed against Britain. At the same time she realized the use of the threat, of signing an agreement with Germany, to induce the Democracies to abandon Chiang Kai-Shek.

Britain was aware of the Japanese mentality regarding European commitments. But in view of the dangerous European situation and the active diplomacy of Ott and Oshima there was no guarantee that the threat of a new alliance between Japan and Germany would remain a threat.<sup>85</sup> In Tokyo Craigie viewed the proposed alliance with alarm. It was his belief that as long as neither Great Britain or Japan committed an irrevocable act they would become allies again. He saw the proposed act as irrevocable, which would mean Japan would side with Germany whereas she had remained neutral at Munich. In his opinion Anglo-Japanese relations could not be left to drift until the China incident was over. He believed Britain was forced to adopt a definite conciliatory attitude towards Japan in the face of dangers elsewhere and lack of American support. This was a policy which dismayed Clarke-Kerr. The latter likewise believed that the contemplated Pact was of great danger. But he did not believe that the best way to prevent the alliance was to give way to Japan. This, he stressed, was the best way to prove to Japan that Great Britain was not prepared to stand up for herself. But Craigie in a letter to Halifax on 2nd December 1938 said "it is difficult to judge from here which of these dangers - the entry of Japan into the triple alliance or the complete subjugation of China to Japan's

84. B.D.Vol.VIII Nos.473 and 491.

85. For German and Italian Negotiations at this time cf.G.D.Series D. Vol.IV Nos.421,426,542 and 543.

86. ibid. No.308.

BD.Vol VIII.

will - is the more actual or the more likely to be prejudicial to our ultimate security. Each danger appears to call for an opposite remedy. But at least this conclusion is inescapable, that, neither danger is likely to be averted by continuing along the present lines of alienating one party to this conflict without assisting the other."<sup>86</sup> The dangers of doing nothing would drive China towards Russia and Japan towards Germany.

Halifax, while he agreed that the contemplated pact was a danger in any form, doubted whether it was worthwhile paying a substantial price, (like doing a deal over China) to dissuade Japan from entering into an alliance with Germany. Japan's policies were Eastern not European, and she would not want to be included in a European war. Any compromise, Halifax declared, would alienate America and arouse Chinese fears of abandonment.<sup>87</sup> Point was given to his views by Arita's speech of 8th March 1938 regarding the necessity of western finance in China. The Tokyo correspondent of *The Times* remarking on this statement said: "The point of this statement is the implicit declaration that Japan cannot sacrifice her relations with Great Britain, the United States and France, to the interests of her ideological allies. The anti-comintern agreement serves certain aspects of her policy, but other aspects require the goodwill, or at least the acquiescence, of the Democracies. Japan, therefore, cannot equivocally enter the anti-democratic camp."<sup>88</sup> Clarke-Kerr substantiated these views, and urged strong resistance to Japan. He also underlined the fact that the length of Chinese resistance depended on the support she could get from Britain.<sup>89</sup>

The anti-comintern was a threat to Britain's possessions and interests not only in Europe, but the Far East. She strove to break the alliance by trying to detach Italy from the Axis. These moves ended in failure in view of Mussolini's desire to show the

87. ibid.No.433.

88. ibid.and Vol IX No.145.

89. B.D.Vol VIII No.441.

90. The News Chronicle Jan.17th 1939.

solidarity of the anti-comintern body after the Anglo-Italian talks.<sup>90</sup> Chamberlain had also hoped that after Munich she would be able to use the Germans and Italians, fresh from appeasement,<sup>91</sup> and mindful of the animosity of the United States over the Jewish question,<sup>92</sup> to mediate in China. He also presumed that Germany, no less than Britain, did not desire an exclusive Japanese China.<sup>93</sup>

On the other hand there were dangers in using Germany in the east, especially "at a moment when the American attitude towards Japan appears to be hardening."<sup>94</sup> Great Britain had to balance mediation with Germany against the alienation of America and the latter's suspicions that we might "do a deal in the east." She sought to set the Americans at ease by assuring them that the recent reassuring messages implying a peaceful settlement were Shigemitsu's, who was out of touch with opinions at home.<sup>95</sup>

Thus by the spring of 1939 Chamberlain's attempt to split the Axis had failed. In fact, because of Japan's fear of Russia and the clashes at Nomonhan in May 1939 the danger of a strengthening of the pact was more serious than ever. Germany, however, had tired of waiting. On 22nd May it was announced that Italy and Germany intended to sign a political and military pact. But the German's still attempted to gain Japan's adherence to the agreement.

Japan had still failed by the spring of 1939 in her principle objective which was to bring such pressure to bear on Britain through the threat of strengthening the pact, that she would be forced to collaborate with Japan in China. One of the reasons was that Britain still clung to the slim hope of Anglo-American co-operation. "Any compromise, moreover, which gave Japan what she wanted in North China and left us in possession of a substantial portion of our investments and trade in a weakened, but independent reminder, would, apart from other considerations, be out of the question,

91. B.D.Vol.VIII No.298.

92. B.D.Vol.III No.310.

93. F.C.Jones op.cit. pp.92-98.

94. B.D.Vol.VIII No.262.

95. ibid. No.262 - Shigeinitsn was Japanese Ambassador in London.

96. ibid. No.519 Halifax to Craigie  
Feb.28th.

unless it received the improbable concurrence of the United States, with whom we have been trying for some time to pursue a parallel policy."<sup>96</sup>

If Japan threatened to join a strengthened anti-comintern pact in order to force Britain to co-operate in China, she viewed the Anglo-Russian talks, which started in April 1939, as a threat to her own safety in the east.<sup>97</sup> Russia was the one power whose intervention in China she feared. The Czechoslovak question had dragged Russia into Europe, and into negotiation with Britain. Russia bridged Europe and Asia, and Japan feared that any entente between her and Britain would include the Far East. Japan was caught between two stools. On the one hand she wanted to strengthen the anti-comintern; on the other she played down the German desire for a general military alliance aimed at the west, as this would have driven Britain and Russia together. This did not mean, however, that Britain could use the Russian talks as a bargaining counter in the Far East, as Germany exploited the talks for her own ends. Japan alleged that it was Britain's intention to extend the proposed Anglo-Soviet agreement and the non-aggression system to include the Far East.<sup>98</sup> Germany promised that she would occupy Russia in Europe, and consequently leave the Japanese unmolested to solve such baffling problems as the international settlements.<sup>99</sup>

Japan's fears were not completely unfounded, as Russia wanted an agreement in the east as well as in Europe. But, as Halifax pointed out to Craigie on 26th April, at present the scope of negotiations dealt only with aggression in Europe and Great Britain was pressing her own proposals against the Union of Soviet Socialist Republics. "Great Britain had still not abandoned hope of friendly relations with Japan and were not likely to take any step calculated to prejudice this unless compelled to do so by force of circumstances."

97. B.D.Vol VIII No.586 and Vol.IX Nos.20,24: for Anglo-Russian Talks of B.D. Vol.V. and Namier - Diplomatic Prelude 1938-39 pp.143-210.

98. B.D.Vol IX No.20.

99. B.D.Vol IX No.145.

100. ibid.No.43.

101. ibid.No.76 and 25.

To the Japanese ambassador Halifax said on 16th May 1939 that any ultimate "agreement will relate only to aggression in Europe and not ... the Far East."<sup>101</sup> It was most important for Britain to make quite clear to Japan that this was not to be used as an argument for deterring Japan from joining the German-Italian alliance. Britain dare not lay herself open to the accusation of threats.

Unfortunately for Chamberlain the negotiations with Russia had their own complications, as he had by May 1939 given guarantees to Russia's weaker neighbours, Poland and Rumania. As Halifax pointed out to the Japanese ambassador on 27th April Britain "had ... been seeking a policy which would, on the one hand, not deprive the forces of resistance to aggression of Russian help, and, on the other hand, not to prejudice the position of the countries in question and not give Germany an excuse to say we were following a policy of encirclement. We had also to be careful not to arouse suspicion in quarters which were suspicious of Russian help."<sup>102</sup>

Japan refused to sign the military alliance with Germany because it would involve them in the west. This did not mean however that she had dropped her ideas of strengthening her alliance against Russia.<sup>103</sup> Neither had Britain dropped the idea of a tie with Russia. Craigie counselled against it as he believed Britain would be "risking making a certain enemy of Japan (whose powers must not be underestimated) only to gain a very uncertain friendship in the Union of Soviet Socialist Republics."<sup>104</sup> The obverse was of course true also. If Britain lost the friendship of Russia or the chance of making an alliance, she would gain only a very uncertain friendship in Japan. But Craigie did not mention this. In fact it was Chamberlain's failure to come to any agreement with Russia which gave Germany a free hand in the spring of 1939, and allowed the partition of Poland. Neither did the absence of any Russian agreement improve Anglo-Japanese relations.

<sup>102</sup>. ibid. No. 25.

<sup>103</sup>. ibid. No. 37 and 94.

<sup>104</sup>. ibid. No. 62 and 145.

<sup>105</sup>. Ibid. No. 91 and Sir. R. Craigie op.cit. pp. 70-1.

The exasperation of the extremists in Japan at their failure to secure a full military pact with Germany led them to make a concerted drive against British interests in China especially on the Yangtse and in Shanghai.<sup>105</sup> The British foreign office attached some importance to rumours that the outcome of the struggle over British rights in China would decide whether Japan would or would not join the Axis alliance.<sup>106</sup> This explained in some part British determination not to give way if possible. In a letter to Craigie, Sir A.Cadogan declared British policy should therefore be one of indifference and Britain should not appear gratified or vica-versa. Britain should also hint that Italy's fleet could not contain the British fleet in the Mediterranean, nor German aid help her in the event of war with Russia.<sup>107</sup>

It was, however, natural that the Japanese should keep their alliance as a perpetual threat to Great Britain. Consequently when the Tokyo talks showed signs of foundering, Craigie on 11th August, reported renewed agitation on the part of the army for the alliance.<sup>108</sup>

"But the event which was finally destined to take the alliance question out of Japanese politics for a whole year was the conclusion of the Nazi-Soviet non-aggression pact on 23rd August, 1939."<sup>109</sup> It removed the corner stone of Japan's foreign policy. In Britain it raised hopes that the hands of the moderates would be strengthened,<sup>110</sup> and America suggested that because Japan's disappointment would be strong, now was the time for Britain to get an agreement.<sup>111</sup> It was clear that the moment was opportune to try and detach Japan from Germany.<sup>112</sup> The Nazi-Soviet pact while being a blow to British diplomacy, assisted her in the Far East in that it made it unlikely that Japan would enter any European war, and create a war on two fronts.

<sup>106</sup>. ibid. No. 103.

<sup>107</sup>. ibid.

<sup>108</sup>. ibid. No. 509.

<sup>109</sup>. Sir R. Craigie op.cit. p. 71.

<sup>110</sup>. B.D. Vol IX No. 574.

<sup>111</sup>. ibid. No. 577.

<sup>112</sup>. ibid. No. 584.

<sup>113</sup>. B.D. Vol VIII No. 383.

On the other hand it must have been obvious to Japan that because of the pact Britain would be unable to defend her interests in the east. Thus America's attitude assumed even greater importance in Japanese eyes, because Britain now depended upon her for protection in the east. Ethically Japan might have felt offended by the Nazi-Soviet pact, and drawn towards the west: Practically it could, in fact was, used by the army to strengthen their efforts in China.

## E

THE BRITISH POSITION IN HANKOW - OCTOBER 1938  
- JUNE 1939.

In her settlements and concessions throughout China Britain was faced with a hundred local situations. Local British policy was therefore somewhat disjointed as it struggled to find local expedients in the general framework of British policy.

At Hankow the British authorities in 1938 found themselves in de-facto control of the former British concession. This was the special administrative district 3 (S.A.D.3) which had been governed under joint Anglo-Chinese control. British forces had prevented the destruction of Hankow by the retreating Chinese. This did not, however, make the Japanese show any increased respect for foreign rights, and restrictions against trade and shipping were promulgated. The situation, in fact, threatened to go the same way as Nanking,<sup>113</sup> and the Japanese had policed the S.A.D.3 with their own military policy.<sup>114</sup> Britain protested in a note of 9th November 1938 that this was in contravention of the 1927 agreement,<sup>115</sup> and requested the Japanese "to take such steps as may be necessary to ensure that nothing is done which would infringe these rights."<sup>116</sup> Notwithstanding Britain's firm attitude,<sup>117</sup> these rights were already infringed as Britain had already agreed to the pass system.<sup>118</sup>

114. ibid. No. 391.

115. ibid. No. 221 (Enclosure 1)

116. ibid. No 391.

117. ibid. No. 222 (Enclosure 1)

118. ibid. No 399.

119. B.D. Vol IX Nos. 81, 84 and 100.

As the Japanese consolidated their power around Hankow they demanded the removal of Dupree, the director of the bureau of the S.A.D.3. In his place they wanted a Chinese director who would be under their control. In return they promised to return control of the bureau's executive rights to the municipal police.

If Britain had agreed it would have meant acquiescing in the deprivation by Japan of the bureau's executive powers - namely the police. Britain therefore considered reaching a 'modus vivendi' by accommodating Japan with the voluntary resignation of Dupree.<sup>119</sup> But because they doubted Japanese assurances the local British authorities believed it was not worth the risk of conceding to their threat of force, or of making unilateral Japanese proposals, under the threat of force a basis of discussion.<sup>120</sup> It was also the foreign office opinion that to bargain with the Japanese compromised Britain towards accepting the puppet Chinese which she could never accept. Britain's interests were to be best served by preserving her legal position and not negotiating. Because the whole affair concerned British merchant interests, it was decided that, as they and the British consular authorities considered the Japanese terms inadequate, negotiations were to be abandoned.<sup>121</sup> It was eventually, in June 1939, decided to await events.<sup>122</sup>

#### F

#### THE BRITISH POSITION IN SHANGHAI AUGUST 1938-1940

By the autumn of 1938 conditions in the international settlement of Shanghai had deteriorated,<sup>123</sup> although the situation was not as bad as at Tientsin. Britain was afforded a certain protection as international interests were involved, and Japan had to use more caution. The Japanese had proposed a new 'E' division which would

120. ibid.No.121

121. ibid.No.159.

122. ibid.Nos.177 and 260.

123. B.D.Vol VIII No.398.

124. ibid.No.388.

have given them control over part of the waterfront.<sup>124</sup> While this differed from the councils original proposal the British consul at Shanghai considered that Britain must be prepared to consider it if negotiations on the commissioner's map failed. Meanwhile the Japanese pressed for "early negotiations."<sup>125</sup>

At the same time the Japanese also demanded on 4th November a reorganization of the municipal police with increased Japanese participation.<sup>126</sup> It was obvious that the Japanese would not leave the northern parts of the international settlements which they occupied unless some consideration was given to their demands,<sup>127</sup> although they had previously promised full return of the municipal councils' perogatives.<sup>128</sup> There were good reasons why Britain should accept. Clarke-Kerr pointed out that "in return for ... police reorganization ... already overdue ... a definite step will be made towards reassertion of the councils' authority and restoration of confidence in an area where many Chinese have resumed residence, and foreigners, including British, are doing so in increasing numbers. This will moreover have been gained without any concession on other important issues such as that of the settlement courts."<sup>129</sup> It would also have meant, if Japanese promises were in good faith, the removal of restrictions.

Until some form of agreement was reached there could be as Clarke-Kerr said no attempt at a general clearing up of the enclaves or the assumption of control by the municipal council. Any independent action in this respect would have provoked a major storm.<sup>130</sup> What the Japanese were hoping for was "that the Shanghai municipal council may be enticed into co-operation with the puppet municipality."<sup>131</sup> This is, in fact, what was happening.<sup>132</sup> The

125. ibid.

126. ibid No.302.

127. ibid.No.398.

128. ibid.No.302.

129. ibid.No.410.

130. ibid No.455.

131. ibid.No.459.

132. ibid.No.398.

133. ibid.No.470.

British foreign office view was that co-operation with the puppet municipal authorities was a good idea from the standpoint of the welfare of the British in the concession, "provided the British authorities are not directly involved."<sup>133</sup> They considered that "the suggested arrangement would not appreciably affect the general course of the campaign, and the influence likely to be exercised by a hardening of the Anglo-American attitude is too uncertain to justify the rejection of limited local measures for the immediate safeguarding of foreign interests."<sup>134</sup> It was all the more urgent in the face of renewed Japanese threats,<sup>135</sup> who were genuinely perturbed at the loss of members of the puppet Chinese government by political assassination.<sup>136</sup>

The Japanese believed, and there was probably some force behind the belief, that "there was a strong suspicion that terrorist activities are being carried out to cause a direct clash between Japan and the municipal council and also with some third power - especially Great Britain, and therefore both sides should be careful not to be trapped by such sinister strategy."<sup>137</sup> In fact the Japanese had not as much to lose from these incidents as Great Britain who suffered the most. On the suggestion of Clarke-Kerr the British consul general at ChungKing approached Chiang Kai-Shek in February 1939 and requested "him to use his influence which proved to be effective last time, to persuade those responsible (for the murders) to 'lay off'", and stop embarrassing the British government.<sup>138</sup> The Americans sent a similar request.<sup>139</sup>

The murders did not stop however<sup>140</sup> and the Japanese continued to use them as a pretext to accuse the settlement council of neglect. As a result the council decided in February that the situation "was becoming too big for the council to handle" and asked for support

134. ibid. and No.459.

135. ibid. Nos.495 and 504 and B.D.Vol IX No.9.(Enclosure)

136. B.D.Vol.VIII Nos.507 and 497.

137. ibid. No.496.

138. ibid. Nos.497 and 123.

139. ibid. No.518.

140. ibid. No.551 and B.D.Vol IX No.4.

141. ibid. No.509.

from the interested powers.<sup>141</sup> One of the powers, however, had already thrown in her hand. This was Italy who, in February, granted the Japanese the use of their concession at Shanghai.<sup>142</sup> This the Japanese proceeded to use as a lever to force Britain to desert her obligations in China. Both Britain and America made oral representations on 28th February and 26th respectively against force being used to deal with questions relating to the international settlement.<sup>143</sup> There was little doubt that the Japanese were trying to gain by forcible measures "a larger share in the administration ... His Majesty's government take a very grave view of such action on their part."<sup>144</sup> It was probably the realization that unilateral action in Shanghai would bring them into conflict with the United States as well as Great Britain, that forced the Japanese military to negotiate, at the same time keeping up the pressure on Britain.<sup>145</sup>

The municipal council agreed to bring the Japanese branch of the municipal police up to strength as soon as recruits could be obtained, but refused quite definitely to allow independent Japanese police action within the settlement.<sup>146</sup> Co-operation was essential, but not as a result of intimidation. The Japanese refused to accept their reply and on 28th February reinsisted on the same five demands together with Hideka's proposals of November and December 1938.<sup>147</sup> They also demanded immediate implementation of their claim to have a senior Japanese police officer in the municipal police force. Such was the threat that the council considered invoking the assistance of the treaty power consuls, and backed by the British and American governments they refused. On 4th March "a working understanding for co-operation has been reached which ... does not impair the authority of the council."<sup>148</sup>

<sup>142</sup>. ibid. No. 503.

<sup>143</sup>. ibid. Nos. 521 and 545 and For. Rel. of U.S. 1939 Vol. IV for U.S.

representations regarding the integrity of the international settlement of Shanghai pp. 1-108.

<sup>144</sup>. ibid. No. 521 (enclosure)

<sup>145</sup>. ibid. No. 496.

<sup>146</sup>. ibid. No. 507.

<sup>147</sup>. ibid. No. 525 (enclosure 2)

<sup>148</sup>. ibid. No. 532.

<sup>149</sup>. ibid. No. 555.

This agreement caused the Japanese some trouble. They did not publicize the agreement with the municipal council because they feared the army extremists would accuse them of backing down. Consequently they fabricated reports stating that the Shanghai municipal council had reached an agreement with them, and that in future the Japanese authorities would try all persons committing anti-Japanese acts within the settlement. This report alarmed the Chinese,<sup>149</sup> and Britain had to quieten their fears by stating that, while the council had promised to hand over criminals acting against the accused forces - no one else was included.<sup>150</sup> The Shanghai municipal council also issued a communique on 14th March, to avoid misrepresentation, on denying agreement over such questions as the Land Regulations, and the right of the Japanese to search in the settlement.<sup>151</sup> These reports were said to be a "malicious fabrication."<sup>152</sup>

In Parliament the Earl of Plymouth said on 1st March 1939 "that the British government were continuing to watch the situation closely and were prepared to afford the council such advice and support as may from time to time be possible." The British and American governments had already drawn the attention of the Japanese government to the fact that they were interested in the discussions proceeding between the consular and Japanese authorities at Shanghai.<sup>153</sup> How closely the situation needed watching was exemplified when the British foreign office received a report on 31st March that about thirty Japanese police were staying in the Yangtse hotel, thereby setting up a virtual independent gendarmerie in the concession. The municipal council protested against this violation of the recent agreement for co-operation, but the gendarmes still remained.<sup>154</sup>

The Japanese had only agreed to a temporary settlement in

150. ibid. No. 570.

151. ibid. No. 561.

152. ibid. 570.

153. House of Lords. Hansard Vo. III.

154. B. D. Vol. VIII No. 590.

155. B. D. Vol. IX No. 9.

the first place as they believed that the time was not far distant when they would be able to take over control of the council by constitutional means, as a result of their increased voting strength because of the revision of the land regulations. As the European situation worsened the consequent diversion of attention away from the east encouraged Japan to accentuate her pressure on the interests of the democratic powers, particularly Great Britain, who obstructed her.<sup>155</sup>

On 2nd May the Japanese renewed their demands for the suppression of anti-Japanese acts, and a Japanese officer to be in charge of the HongKew and Yangtsepoo police.<sup>156</sup> They also supported demands made by the Chinese puppet authorities at Shanghai that the settlement's Chinese courts as well as the title deeds to property and other documents of the Chinese land office be turned over to their regime.<sup>157</sup> On 3rd May the Japanese handed the British ambassador an aide memoire relating to their demands at Shanghai. A similar note was handed to the American ambassador on the same day.<sup>158</sup> Among other desiderata they demanded the revision of the land regulations which formed the legal basis of the settlement's administration.<sup>159</sup> The Shanghai municipal council declared itself, willing to agree to such demands, as did not encroach upon its administrative independence, issued a declaration forbidding political activities and proclaimed their neutrality in the Sino-Japanese conflict.<sup>160</sup> But they were not prepared to revise the land regulations.

The British government likewise rejected the Japanese demands on 19th May,<sup>161</sup> similar to the American note on 18th May.<sup>162</sup> Joint action had, as usual, been ruled out by the Americans who were prepared to make "synchronized and similar - but not indentic" notes.<sup>163</sup>

156. ibid.No.33.

157. China Association (London) Annual Report 1939-40 p.53 and B.D.Vol.IX Nos.40 and 44.

158. B.D.Vol.IX No.44.

159. 347 HC.Deb.5s pp.5-6.

164. ibid.No.40.

160. B.D.Vol.IX No.56.

161. ibid.Nos.77 and 92 (enclosure)

162. ibid.No.75 and R.I.I.A.Docs.1939-46 Vol I pp.548-550.

163. ibid.No.68.

Both governments held that the revision of the land regulations should await more stable conditions in Shanghai. Britain also said that she was prepared to consider only "constructive proposals free of any political ulterior motives,"<sup>164</sup> and she would view seriously "any attempt on the part of any one interested power taking advantage of external conditions to prejudice the international character of the settlement."<sup>165</sup> The Japanese rejected the British protest on 24th May and claimed the right to forcibly seize anti-Japanese persons in foreign concessions because the latter were Chinese, and China was occupied by Japan.<sup>166</sup> Both the British and Americans verbally protested against this declaration.<sup>167</sup>

The danger of the Japanese taking over control of the Shanghai council by constitutional means became a serious threat in 1939. The British consul reported on 5th June that the present serious increase in voting strength would give them control of the settlement by April 1940. The only solution seemed to be a drastic one. This was put forward by Mr. Arnhold who suggested that the council should refuse to collect taxes from a line drawn to the west of Ward road gaol to the north of HongKew park, and that the land regulations be declared no longer operative in these areas. This would have deprived the Japanese in these areas of the right to vote in the council elections.<sup>168</sup> There is little doubt that this would have aroused Japanese anger and the danger of force. As it was, as the year progressed, Shanghai became the subject of increased Japanese pressure,<sup>169</sup> and the only solution to the increased lawlessness in the Japanese areas appeared to be by the use of force. The British and American council members were against this however, and in any case the ultimate decision rested with His Majesty's government.

165. ibid.No.92 (enclosure)

166. ibid.No.117 and China Association op.cit.p.54.

167. ibid.Nos.152 and 165.

168. ibid.No.151.

169. ibid.No.234.

170. ibid.Nos.63 (note 1) and 80.

The situation worsened gradually until the outbreak of the European war. But it was not until August 1940 when British troops were withdrawn from Northern China that Britain also withdrew her troops from 'B' and 'D' sections of the international settlement. Japan was given 'D' section and America 'B' section. Things remained like this until the outbreak of the Pacific war.

Kawai's remarks of 24th May concerning the right to forcibly enter concessions were given substance by the delicate situation which arose in the small international settlement on the island of Kulangsu. On 11th May 1939 Hung Li-Hsun, the pro-Japanese chairman of the Amoy chamber of commerce was assassinated.<sup>170</sup> On the following day two hundred Japanese marines landed to conduct a search for the culprits. Britain instructed Craigie to protest, either in concert with his French and American colleagues - or alone. Following this action the Japanese presented the Kulangsu municipal council with sweeping demands.<sup>171</sup> The council refused all these demands except the ones dealing with the suppression of terrorism,<sup>172</sup> and protested against the Japanese action.

It was obvious to all the interested powers that Japan was using, Kulangsu as a test case for Shanghai, and the murder of Hung as a pretext for using force. If they could obtain their ends by force they might have tried the same tactics at Shanghai. Consequently apart from the protests made at Tokyo and to the Japanese authorities in China, Great Britain, America and France sent warships and landing parties to Kulangsu on 17th May. The Japanese denounced this action as unfriendly. In fact the Japanese were checkmated. They had been indirectly warned of the serious consequences to Anglo-Japanese relations which would follow if they tried a similar coup in the international settlement of Shanghai.<sup>173</sup>

171. 347 HC. Deb. 5s pp. 968-9 and F.C. Jones op.cit. p. 144 and B.D. Vol. IX. No. 69.  
 172. B.D. Vol. IX 204 (note)  
 173. 347 HC. Deb. 5s pp. 968-9.  
 174. B.D. Vol IX No. 204 and For. Rel. of U.S. 1939 Vol IV. pp. 108-163.

The Japanese tried to force the Kulangsu council to yield by cutting off food supplies from the mainland, and by maintaining a virtual state of seige. Since, however, they did not prevent supplies from reaching the island in foreign ships the council was able to hold out until the Japanese dropped their major demands. In their resistance they were backed by the British and American governments.<sup>174</sup> An American suggestion that their landing party be withdrawn<sup>175</sup> was fortunately defeated by United States local and naval opinion in August.<sup>176</sup> It would have had the unfortunate effect of leaving the British troops in Kulangsu to face Japan alone, which Britain had to avoid at all costs.

On the outbreak of the European war Great Britain and France withdrew their landing parties from Kulangsu, but the United States contingent remained. On 17th October 1939 agreement was reached between the Kulangsu municipal council and the Japanese consul general, and approved by the consular body. The council agreed to appoint additional Japanese members to the police force and to co-operate with the Japanese in suppressing terrorism. But it maintained its administrative rights unimpaired. On the day of the signature of the agreement the United States and Japanese forces were simultaneously withdrawn.<sup>177</sup>

In protecting her interests in the international settlements Britain had to resort to other means than the use of force. The British did however contemplate the retaliation as a possible, if unfortunate eventuality. This raised the question of what British action would be, presuming that military resistance in the settlement was out of the question.

Sir Robert Craigie in a letter to Sir A. Cadogan on 23rd May declared that "some sort of immediate retaliatory action would

175. ibid.No.432.

176. ibid.501 (note 2)

177. 352 H.C.Deb.5s p.1904.

178. B.D.Vol IX No.106.

be essential." This had the advantage of doing something before Britain was faced with a fait accompli.<sup>178</sup> In considerations of this sort, however, America was the deciding factor, and it was clear that at that time she was averse to pressure.<sup>179</sup> This was due to the Japanese drive to put Japanese-American relations on a better footing in order to drive a wedge in the Anglo-American alliance.<sup>180</sup> Halifax doubted if any attempt to put pressure on the United States to follow a firmer line would have any effect. In the light of past events it had been proved that the United States only helped those who helped themselves, and that in any action of this sort Britain would have to step out alone, as the best means of encouraging the United States to follow.<sup>181</sup> Such action could never be contemplated by Britain except under extreme circumstances.<sup>182</sup>

There was fortunately an obverse side to the coin. America may not have been prepared for joint action with Britain. On the other hand neither was she unaware of Japanese ambitions. By and large "the Japanese failed to attain their major objectives at Shanghai and Kulangsu because they encroached upon the interests of all the other major treaty powers, and had met with collective resistance. In particular the United States was involved in the defence of the international settlements and the Japanese government was wary of provoking her."<sup>183</sup>

## G

THE BRITISH POSITION IN TIENTSIN AUGUST 1938-14th JUNE 1939.

During 1937-38 the Japanese had been building up a body of complaints against the governing bodies of the British and French concessions at Tientsin. The year 1938-39 reproduced the

79. ibid.No.107.

80. ibid.Nos.107,116 and 138.

81. ibid.No.135.

82. For Britain's policy regarding retaliation cf above.pp.105-8 and

83. F.C.Jones op.cit.p.145.

passim.

84. B.D.Vol VIII No.317.

grievances of the previous year only at a quicker pace.<sup>184</sup> The problem which was to be the immediate cause of conflict - the question of handing over men to the Japanese authorities - brought into relief the differing ideas of Britain and Japan, concerning justice and human rights. With increased Japanese pressure came loss of trade. This, in itself, raised the question of retaliation.<sup>185</sup> Britain however as Craigie pointed out "could do nothing by herself, which would incur the risk of war." It was of the greatest importance to take parallel action with America at every step, as Britain stood alone at Tientsin whereas at Shanghai she could rely on American support.<sup>186</sup>

The most serious threat to the concession came on 1st September 1938 when the Japanese announced their intention of evacuating their own nationals from the concession,<sup>187</sup> and increased their restrictive measures. This they did because of the firm western attitude over the currency and silver issues. The evacuation was slow at first, but although temporarily halted and excused with vague statements, it continued. By December 1938 it had been completed. The British foreign office recognized the "probability of a serious move against the Tientsin concessions", which would "be the first step in a carefully prepared programme for the destruction of our political position in China."<sup>188</sup> On 13th December the Japanese declared that they had decided to erect barriers as from the 14th and the searching of Chinese to prevent anti-Japanese persons leaving the concessions.<sup>189</sup> They asserted that the measures were taken because of lack of co-operation on the part of the concession authorities. Ferries were stopped and the searching, even of foreigners, became rigorous.<sup>190</sup> At the request of the Japanese Britain permitted her subjects to carry passports for Japanese inspection, but further should would not go.<sup>191</sup>

185. ibid. No. 351.

186. ibid. No. 281 and No. 277 and For. Rel. of U.S. 1939 Vol. IV pp. 163-262.

187. ibid. Nos. 247 and 81.

188. ibid. No. 277.

189. ibid. No. 334.

190. ibid. No. 336.

191. ibid. No. 339.

192. ibid. No. 337 (enclosure 2)

During January and February conditions deteriorated. Conciliation by the Tokyo cabinet did not mean a cessation of indignities by the Japanese army in Tientsin.<sup>192</sup> The British and French protests of 24th December<sup>193</sup> had only resulted in a temporary relaxation of searching, and by March this had been re-enforced, until Britain took up a position in conformity with the new situation in China.<sup>194</sup> This would have included, amongst other things, the permission for the Japanese "police to be allowed to act freely in the British and French concessions which naturally we cannot agree to"<sup>195</sup>

But the question which was to arouse the most controversy was that of the internees. The British authorities had interned persons suspected of terrorist activities against the Japanese. Chief among these was Ssu Ching Wu<sup>196</sup> arrested at the end of September 1938. While the Japanese never produced evidence against him they had demanded that he be handed over to their local authorities which the British refused to do. An alternative solution that he be removed to Hong Kong or Shanghai<sup>197</sup> was rejected by the Japanese in February.<sup>198</sup> Instead on 16th March 1939 they demanded the removal of Li Han-Yuan, the Deputy chief of police and four police suspected of anti-Japanese activities.<sup>199</sup> Thus the problem of the removal of political offenders became inextricably mixed with that of the composition of the police force, and later with the question of silver stocks and the currency issue.

The British ambassador to China in a letter of 1st March to Mr. Jamieson the consul at Tientsin believed it advisable to shelve the idea of removing Ssu elsewhere as it would provoke the Japanese.<sup>200</sup> But the British foreign minister in a letter to Clarke-Kerr on 25th February thought that as the removal of internees had only been dependent on the bettering of conditions in the concession (which had

193. ibid.No.449.

194. ibid.No.401 (Enclosure)

195. ibid.No.408. Jamieson to British Embassy Shanghai.

196. For a full account of Ssu, his arrest and internment of B.D. Vol VIII  
Appendix II. 199. ibid.No.490.

197. ibid.No.478. 200. ibid.No.520.

198. ibid.No.500. 201. ibid.Nos.489 and 504.

not occurred)<sup>201</sup> Britain should remove Ssu along with the others regardless of Japanese wishes.<sup>202</sup> It would indeed have made little difference to the Japanese plan as they had decided to push the British out of Tientsin. The worsening situation brought protests from the British on February 28th and March 5th concerning the erection of barricades on 1st March, both of which remained unanswered.<sup>203</sup>

Chamberlain and Halifax had to hope that by keeping in constant touch with the Japanese in Tokyo and China she would, by negotiation, lead Japan away from the use of force. Local meetings were in fact taking place during the period of increased Japanese pressure in March.<sup>204</sup> It was through these meetings that the Japanese placed their demands which led to the later talks in Tokyo.

Talks did not however mean conciliation. It was the opinion of the Tientsin consular authorities that the Japanese would hardly have gone to the expense of erecting costly fences and customs houses around the concession if they expected any amelioration of the situation.<sup>205</sup> In order to try and lessen the tension the British began to think in terms of some form of compromise over the question of Japanese gendarmerie intra-concession liason. The same point was under discussion at Shanghai and there was the danger that if the Shanghai municipal authorities agreed it would be hard for the consular authorities at Tientsin "to resist ... application of these points in some form or other." Tientsin, declared the British consul Mr. Jamieson, must "not be taken as a precedent for Tientsin."<sup>206</sup> At this stage the latter was in favour of a firm attitude, and believed that more Parliamentary speeches like those of February and March<sup>207</sup> will make the Japanese think twice before carrying out whatever purpose they have in mind."<sup>208</sup>

201. ibid.No.506.

202. ibid.No.533.

208. ibid.

203. ibid.No.558.

204. ibid.No.563.

205. ibid.

206. 334 HC.Deb. 5s p.12 (Feb.20th): p.1234 (March 1st): p.1734 (March 6th) and p.231 (March 14th).

207. ibid.No.566.

The Japanese, however, made no effort to alter their course until Britain adopted a "new attitude in conformity with the new situation".<sup>209</sup> Consequently British protests concerning the searching of her nationals in March would have little effect.<sup>210</sup> Craigie believed that protests on national lines were bound to fail and in a letter to Halifax on 23rd March stated that "only locally will it be possible to bring about any real improvement."<sup>211</sup> The foreign office took<sup>up</sup> his suggestion to send Piggott to Peking and Tientsin to try and ease the local situation.<sup>212</sup>

As it happened the Japanese stopped searching for old notes and consequently the plan which the British had been planning in consultation with the Americans and French was not made.<sup>213</sup> But the barricade remained, and the danger of a frontal attack over the British refusal to hand over political internees became more imminent,<sup>214</sup> when, on 9th April the first political murder occurred within the British concession,<sup>215</sup> and raised fresh Japanese demands, and fresh British problems, concerning the treatment of political offenders. The victim was Cheng Lienshih the Chinese manager of the federal reserve bank. Four members of the Chinese route army were arrested as suspects and two, when handed over to the Japanese confessed, but later retracted their statements when returned to the British.<sup>216</sup>

The British ambassadors in Tokyo and China had differing views on the question of political offenders. Craigie favoured expelling or handing over criminals,<sup>217</sup> while Clarke-Kerr, although he admitted Chinese actions had compromised the neutrality of the concession,<sup>218</sup> objected because he was averse to being "hustled by the need for haste or by Japanese threats,<sup>219</sup> and because he knew what their fate would be in Japanese hands.

210. Ibid.No.573 and 576.

211. ibid.No.579.

212. ibid.No.581.

213. ibid Nos.477 and 589.

214. B.D.Vol IX No.2.

215. ibid.No.1.

216. ibid.No.73.

217. ibid.Nos.55 and 169.

218. ibid.No.86.

219. ibid.No.31.

Jamieson, the consul general at Tientsin, however, pointed out that "granting asylum within the concession was inconsistent with strict neutrality," and considered that the Japanese were justified in believing Britain was helping the Chinese if she upheld her attitude.<sup>220</sup> The British foreign office attempting to steer a diplomatic course declared that it had no legal authority to deport the internees to Hong Kong, but agreed with the British ambassador to China that Britain was compelled to suppress political terrorism within its concession.<sup>221</sup> Lord Halifax also stated that in existing cases persons should be expelled, and in future cases either expelled or handed over to the de facto authorities, according to the seriousness of their offence.<sup>222</sup> This did not satisfy the Japanese, who required the immediate handing over of the four suspected assassins.<sup>223</sup> Craigie and Jamieson agreed with their demands.<sup>224</sup> As a result and in order to gain time the foreign secretary declared that "the whole question of disposal of political agitators in the concession has been under review by the foreign office."<sup>225</sup>

Britain meanwhile sought Chinese assurances that terrorists would not cause the concessions any further embarrassment. On 6th June the nationalist government gave their assurance,<sup>226</sup> adding that they hoped Britain would not hand over the internees.<sup>227</sup> Halifax reminded the Chinese ambassador of their assurances of last July, and of the March 11th notification of His Majesty's consul general at Tientsin,<sup>228</sup> and declared on 7th June in a letter to Clarke-Kerr that the Chinese had no cause for complaint if Britain did give way. He added that "any action by the Chinese government which might expose concessions to the risk of being taken over by the Japanese was most unwise since foreign concessions admittedly constituted one of the greatest obstacles to Japanese economic plans in China." Britain saw no reason why she should carry the can for

220. ibid. Nos. 64 note, 142 and 180.

221. ibid. Nos. 48 and 102.

222. ibid.

223. ibid. No 89.

224. ibid. Nos. 114 and 119.

225. ibid. No; 169.

226. Ibid. no. 160.

227. ibid. No. 241.

228. B.D. Vol VIII No. 558.

the Chinese.<sup>229</sup> The Japanese, however, were not prepared to wait either for a British reconsideration of their attitude towards political internees or Chinese promises. On 1st June Jamieson reported that they had handed an ultimatum to the British authorities, which stipulated, that unless they received an answer in the affirmative, concerning the handing over of the four men, before 7th June they would assume a British refusal, and take appropriate action.

Halifax, while he declared the British government were prepared to hand over two other men found in unlawful possession of bombs,<sup>231</sup> saw no reason to hand over the four men as he had "never been supplied with any evidence which would justify me in handing these men over to the Japanese or local authorities," and he dismissed the confessions made by the prisoners in Japanese hands as "no evidence."<sup>232</sup> The British foreign office were in fact far from convinced that the situation was as dangerous as Jamieson "makes out,"<sup>233</sup> and in a proclamation of 7th June at Tientsin<sup>234</sup> urged Japan "to reflect whether the attainment of a local objective by such means is worth the serious repercussions in a wider political sphere that it will cause."<sup>235</sup>

On 6th June Craigie saw the minister for foreign affairs in Tokyo giving him the British decision not to hand over the four men.<sup>236</sup> The Japanese replied that this refusal would produce a serious state of affairs in Tientsin.<sup>237</sup> They followed this up by ordering Japanese and de facto government employees out of the concession. They also declared all Japanese goods were to be removed, and the Yokohama Specie bank was told on 7th June to remove its business from the British concession within one week.<sup>238</sup> Zero hour the Japanese declared was to be 14th June or 15th, and on that date all British ships and cargo were to be stopped and the ingress and egress of British subjects was to be denied.

229. B.D.Vol.IX No.160.

230. ibid.No.137.

231. ibid.No.132.

232. ibid.No.139.

233. ibid.No.130.

234. ibid.No.161 note 5.

235. ibid.Nos.149 and 171.

236. ibid.Nos.149 and 158.

237. ibid.No.158.

238. ibid.No.173.

Owing to the seriousness of the situation the British foreign secretary suggested immediate expulsion of the four accused as the blockade would make their departure more difficult.<sup>239</sup> He was not, he said to Jamieson on 10th June, prepared to listen at this late date to the latter's arguments for handing over the men to the de facto authorities.<sup>240</sup> In a letter to Craigie on 13th June Halifax declared that Britain could not afford to follow "rigidly" the legal procedure with criminals of a political nature.<sup>241</sup> Britain had political and moral obligations not only legal ones.<sup>242</sup> Meanwhile Britain protested to Japan on 10th June through their ambassador in Tokyo, but received a reply that the handing over of the two men<sup>243</sup> was regarded as a trick to draw attention away from the main issue. They added that the instructions given to the British consul general were ambiguous, and concluded that there was little reason for continuing the talks "but to take such measures as planned."<sup>244</sup>

The British were impressed with the Japanese action, and tried to forstall the Japanese by gaining time. On 13th June the British government informed the counsellor of the Japanese embassy that new evidence concerning the four men had come to light which they were considering, and they hoped Japan would see fit to lift the scheduled blockade.<sup>245</sup> The foreign office requested all information concerning the accusations against the men, and the circumstances in which their confessions had been extorted.<sup>246</sup> They wanted to be certain of the men's guilt before handing them over to certain death. Their legal attitude did not however change. In a letter to Craigie on 14th June Halifax declared that "Whatever may be the position vis-a-vis the Chinese authorities, the Japanese have of course no legal right to intervene in a crime committed by one Chinese or another in the British concession."<sup>247</sup> The British consul in Tientsin while he admitted that "the confessions were

239. ibid. No. 175.

240. ibid. Nos. 175 and 169.

241. ibid. Nos. 191 and 200.

242. Halifax to Brit. Embassy Shanghai May 30th ibid. No. 129.

243. ibid. Nos. 139 note 6, and 129.

244. ibid. No. 187.

245. ibid. No. 190.

246. ibid. No. 191.

247. ibid. No. 200.

probably obtained under duress" did not consider that political motives should stand in the way of what, in his opinion, the legality of the Chinese court demanded. At Shanghai, he declared, there would have been enough evidence to hand the men over. It was not necessary he added to have prima facie evidence of their guilt in order to hand them over, and it was "no concern of mine" what the charge was.<sup>248</sup> But the British secretary of state after considering the information came to the conclusion that this "did not justify any change in policy with regard to the men in question."<sup>249</sup>

While this recommendation of evidence was in progress the British tried to find some other way out of the deadlock by finding a solution acceptable to both sides presuming retaliation to be out of the question. Consequently when Clarke-Kerr suggested on 10th June an ad hoc concession court tribunal, it was eagerly grasped. The court would consist of one British, one Japanese and a neutral judge to ascertain, not if the men were guilty, but whether there was enough evidence to warrant handing the men over.<sup>250</sup> At the same time there was the possibility that America might act as a mediator or use her good offices in the Tientsin dispute. The Japanese, on 10th June, had approached the Americans with the request that the United States consul general use his good offices at Tientsin.<sup>251</sup> The foreign office viewed this idea more favourably than the tribunal, provided "a suitable opportunity arises and without giving the impression that we look to the United States of America to extricate ourselves from our difficulties," and Halifax on 13th June requested the British ambassador in Washington to sound the United States on the idea.<sup>252</sup>

Meanwhile Britain stated her willingness "that a committee of independent and reputable persons should be convened to study the question on the spot and ... I... (Halifax) ... would undertake to be

248. *ibid.* Nos. 180, 200 and 205.

249. *ibid.* No. 205 note 7.

250. *ibid.* No. 176.

251. *ibid.* No. 181.

252. *ibid.* No. 189.

guided by their advice."<sup>253</sup> On the advice of Jamieson<sup>254</sup> the suggestion was put in Tokyo on 13th June by the United States,<sup>255</sup> as there seemed little point in trying to obtain the services of a neutral unless Britain knew that Japan would agree generally to the proposal. The United States gave permission to their consul general to act as a neutral on the proposed committee of enquiry.<sup>256</sup> Halifax had changed the tribunal to a committee of enquiry as it was not to exercise the powers of a court of Justice. It was also considered best not to have three professional judges. This was to meet Japanese objections and avoid a clash.<sup>257</sup>

But the Japanese rejected the proposal on 13th June, and said that details of restrictive measures had already been given to the press before the United States had declared their willingness to act on a committee.<sup>258</sup> They also said that they were not prepared to accept any outside interference as it was a matter "to be settled directly with the British authorities."<sup>259</sup> At the same time they disclosed their real objectives by widening their demands.<sup>260</sup>

On 13th June a Japanese military spokesman said that the blockade "certainly followed the British refusal to deliver the four suspect assassins, which fact however only represents one side of the shield." He continued by accusing Britain of helping Chiang Kai-Shek and the Chinese currency, and non-co-operation with the Japanese.<sup>261</sup> In view of what he said Halifax overrode Craigie's requests for compromise,<sup>262</sup> and declared Britain's legal position to be clear, and that the re-examination of evidence was not likely to permit the surrender of the men without further evidence.<sup>263</sup> This the Japanese refused to give. As the Japanese had stated that the handing over of the men was not now enough, then there was little point in Britain handing them over at all. British business interests at Shanghai, the

253. ibid.No.182.

254. ibid.No.180.

255. ibid.No.194.

256. ibid.No.192.

257. ibid.No.211 and no.194.

258. ibid.No.195.

259. ibid.No.198.

260. ibid.No.203.

261. ibid.Nos.242 and 196.

262. ibid.No.197.

263. ibid.No.200.

C in C Hong Kong, and the general officer commanding "considered /the/ matter should now be made a test case and that we should not give way to reprisals."<sup>264</sup> Halifax commenting on these new events in a letter to Lindsay on 15th June, said the Japanese appeared to have decided to concentrate on Tientsin as no direct American interests were involved, and that the Japanese would not be pacified until Britain had changed her attitude towards Chiang Kai-Shek with all that implied.<sup>265</sup>

## H

BRITISH POLICY REGARDING THE SILVER STOCKS.

The British government had refused to hand over the silver stocks stored in their concession vaults to either China or Japan. Both were anxious concerning its future. The Japanese were anxious to prevent the silver falling into Chinese hands. Jamieson reported from Tientsin on 7th October that the Japanese were perturbed over a rumour that a British gunboat was to take the silver from Shanghai to Hong Kong.<sup>266</sup> The Chinese were likewise anxious, as, if the silver fell into Japanese hands it would be used against them in the currency war.<sup>267</sup> Britain sought to remove this source of irritation by trying to obtain the consent of both parties to the sealing of the silver in the vaults of the British and French concessions.<sup>268</sup> It was over the Japanese demand that the prior consent to the sealing of the owners of the silver was needed that difficulties arose. To whom did the silver belong? To the ChungKing government or the Japanese occupied people of North China? Britain continued to favour her original solution, which was to seal the silver as an interim settlement prior to deciding the ownership of the silver, and not after deciding the ownership.<sup>269</sup>

264. ibid.No.203.

265. ibid.No.210.

266. E.D.Vol.VIII No.129.

267. ibid.No.132.

268. ibid.No.129.

269. ibid.No.146.

During November 1938 the Japanese issued an ultimatum expiring on 13th November to the two Chinese banks in Tientsin "that unless they agreed to co-operate with /the Japanese/ the Japanese military authorities would take matters into their own hands."<sup>270</sup> By co-operation they meant allowing the Japanese to have the silver, and public co-operation with the federal reserve bank. In co-operation with the British authorities the banks refused.<sup>271</sup>

The Japanese began to realize that the British were determined to seal the silver and agreed in principle. But they became anxious lest any agreement on their part should destroy their claim to it.<sup>272</sup> The British authorities therefore suggested in November the following formula in an attempt to get the Japanese to agree to sealing - "that sealing will not at all change Japanese views as regards silver reserves."<sup>273</sup> Meanwhile Britain tried to obtain the consent of the Chinese national government to the silver sealing.<sup>274</sup> Meanwhile the British authorities in Tientsin were instructed on 11th January to make arrangements for the sealing in the presence of the Japanese consul general.<sup>275</sup> The Chinese authorities, however, held up negotiations,<sup>276</sup> and any further progress was interrupted by the crisis at Tientsin.

## I

### THE BRITISH ATTITUDE TOWARDS THE NAVIGATION OF THE YANGTSE SEPTEMBER 1938-1939.

The Japanese had rejected Britain's five demands concerning the Yangtse navigation on 8th September 1938.<sup>277</sup> During October the Japanese demanded that the British authorities send a shipping schedule to their military authorities. Britain refused to comply with this request however, and stated that this was only a neutral

270. ibid.No.238.

271. ibid.

272. ibid.No.244.

273. ibid.Nos.244 and 272.

274. ibid.No.325 and note 2.

275. ibid.No.413.

276. ibid.

277. ibid.No.86.

attitude.<sup>278</sup> Arita made it clear that Japan intended to monopolize such Chinese products and industries as she considered essential for her own economy.<sup>279</sup> As the United States and France were directly involved in this Japanese threat it became possible to address parallel notes to Tokyo on 7th November. The British note placed Japanese interference under three headings: 1. attempts to establish a system of trade permits; 2. direct interference with British trade; and 3. discrimination against British shipping by means of the intimidation of Chinese nationals.<sup>280</sup> These steps were in direct contravention of Japan's own statements of 26th August 1937 and 5th September 1937, when Japan had promised that the principle of equality of commercial opportunity in Japan-occupied China would be respected.<sup>282</sup> Britain denied the Japanese right to restrict British trade which had been established by treaty.<sup>282</sup>

The Japanese rejected the British note on 14th November.<sup>283</sup> Nevertheless the Japanese action on the Yangtse proved that when American rights were involved <sup>the latter</sup> might be expected to act. America had previously stated their preference to make an oral statement to give themselves more time to gather further information on Yangtse trade discrimination.<sup>284</sup> Britain had waited on her move, not wanting to push her farther than she was prepared to go. Naturally therefore both the British and Chinese were delighted at the American action. It went to prove that the United States would go farther than expected if she was not pushed.<sup>285</sup>

In fact the intransigent attitude on the part of Japan led to a stiffening of the western attitude. An American note of 31st December denying the Japanese right to unilaterally abrogate treaties or establish a new order,<sup>286</sup> was followed by a British communication to Tokyo on 14th January 1939 referring more especially to the Konoye declaration of 3rd November and 22nd December.<sup>287</sup> The

278. ibid.Nos.147,169 and 172. 285.cont. 1939 Vol III pp.774-800 for U.S.  
 279. R.I.I.A.Docs.1938 ip352. correspondence dealing with interference  
 280. B.D.Vol VIII No.214 (enclosure) with U.S.shipping trade in Chinese rivers  
 281. Grew op.cit. p.232. 286. B.D.Vol III p.309.  
 282. 333 H.C.Deb.5s p.1382-3. 287. ibid.pp.366-9.  
 283. B.D.Vol VIII No.239 (note I) and Grew op.cit. p.229.  
 284. ibid.No.259.  
 285. ibid.Nos.266,260 and For.Rel.of U.S. 1938 Vol.IV pp.143-209 and (Cont.above

French followed suit on 17th January.<sup>288</sup> On 10th April 1939 Britain again protested, but Japan continued to control the Yangtse and use it not only for purely military ends.<sup>289</sup> By 12th May only two northern delta ports were open, ports on the south bank already having been closed.<sup>290</sup> As Halifax said in a letter to Craigie on 19th May Japanese actions formed a composite picture of trade discrimination in China. The Japanese had threatened the diplomatic quarter of Peking, and threatened to take direct action against the British concession at Tientsin. They had demanded changes in the constitution of the Shanghai municipal council. Japanese troops had landed at Kulangsu: and they had intensified action against British shipping; as illustrated by the seizure of the Sagres on 8th April and the Lolita on 27th April anti-British propaganda had also broken out throughout Japanese occupied areas.<sup>291</sup> Protests were likely to achieve little faced by the determination of the Japanese army.

J.

BRITAIN: AND JAPAN'S FISCAL POLICY IN CHINA.  
MARCH-JULY 1939.

On 2nd March 1939 the Japanese announced through the Japanese controlled authorities in North China that from 11th March the greater part of the export trade abroad and to the rest of China would be by permit only.<sup>292</sup> There were three obvious choices open to the British: Either they could acquiesce without demur. This however would only show Britain's weakness and provoke further demands; Or they could make a settlement of all outstanding questions between Britain and Japan at Tientsin a condition of Britain's acquiescence. This was distasteful unless it brought a relaxation of all impositions. Finally Britain could advise resistance to the Japanese measures, which in turn would paralyse

88. ibid.

89. B.D.Vol IX No.3.

90. ibid.No.58.

91. ibid.No.91.

92. B.D.Vol VIII No.534.

British trade for some time. But the British ambassador in China was of the opinion that resistance was better as "it seems to me that in the end they /the democracies/ will be forced to react,"<sup>293</sup> as whichever policy they chose Japan's attitude would not change.

The French government favoured co-operation by the individual banks,<sup>294</sup> But the British foreign secretary declared that as he was far from convinced that the Japanese plan to replace the old legal tender Chinese currency by the federal reserve bank notes was going to be successful, he favoured resistance. Britain therefore advised that the banks should negotiate only through their governments, British policy being, that through resistance, Britain could assist the Chinese currency.<sup>295</sup> On this issue Britain was able to secure the support of the United States, and on 10th March the United States and Britain made parallel protests to the Japanese government.<sup>296</sup> The Japanese reply denied control of the export and import trade, and stated that the new measures were only designed to make the federal reserve bank currency fulfil the functions of a trade currency.<sup>297</sup>

On 27th April the Japanese announced to the British the inauguration, as from 1st May of the Hua Hsing commercial bank. This they declared was in the same spirit as Britain's move to stabilize the currency. British banks however refused to co-operate.<sup>299</sup> Halifax pointed out in a letter of 4th May to Craigie, "in view of the effects, both on the Chinese currency and on Sino-British trade, which the establishment of the federal reserve bank has had, I see no reason why we should even contemplate any form of co-operation with the new bank which presents yet greater dangers to both currency stability and the continuance of British trade than does the federal reserve bank."<sup>300</sup> This bank was, in fact, partially responsible for the drain on the British currency stabilization loan and the later

293. ibid.

294. ibid. No. 539.

295. ibid.

296. ibid. No. 560.

297. B.D. Vol IX No. 14.

298. ibid. No. 27.

299. ibid. Nos. 27 and 32.

300. ibid. No. 42 and nos. 53 and 108

crisis in Chinese finances. Britain therefore on 9th May "made it clear that His Majesty's government must regard the latter step as a ... threat ... to the economic structure of China."<sup>301</sup>

There was, however, a cabinet crisis in Japan over the anti-comintern negotiations. Halifax, at Craigie's request decided therefore that Britain should go no farther than non-committal replies to the Japanese request for co-operation.<sup>302</sup> The Japanese, in fact, assumed from the conciliatory British attitude that they intended to co-operate with the new bank.<sup>303</sup> They were, however, met with a refusal from London,<sup>304</sup> who had been encouraged by American reactions concerning the Chinese trade and currency and the new bank.<sup>305</sup> On 9th June Britain rejected Japanese assurances.<sup>306</sup> This was followed by general French notes on 10th and American notes on 12th June respectively.<sup>307</sup> The United States front came as a result of British requests to mobilize united resistance against the new Japanese measures.<sup>308</sup> Thus while Britain did not actually "obstruct ... the bank's operations ... we do not favour co-operation with it and ... consider it important that foreign interests should co-operate as closely as possible."<sup>309</sup>

The British realized that the new bank could be used at any time "as the instrument for measures of exchange control inimical to all non-Japanese trade."<sup>310</sup> This fear materialized on 6th July when the provisional government issued a statement declaring <sup>that</sup> exchange control would be extended to all exports and increasing the power of the federal reserve bank as from 17th July.<sup>311</sup> The French immediately suggested joint representations with the United States,<sup>312</sup> but Halifax wrote on 14th July, Britain while it "agrees in principle to the desirability of this /considered/ it preferable in view of the Tientsin negotiations to confine your (Craigie's) action to

301. ibid.No.50.

302. ibid.Nos.53,57,115 and 60.

303. ibid.No.60.

304. ibid.No.141.

305. ibid.No.127.

306. ibid.Nos.140 and 141.

307. ibid.No.186.

308. ibid.Nos.57,141 and 162.

309. ibid.No.141.

310. ibid.

311. ibid.No.287.

312. ibid.No.320.

supporting any representations your colleagues may be authorised to make."<sup>313</sup> Britain it was obvious could not afford to aggravate the situation at that stage.

## K

BRITAIN'S ATTITUDE TOWARDS THE CHINESE MARITIME CUSTOMS  
AUTUMN 1938-1939.

The fall of Hankow and Canton in October 1938 increased Japanese pressure on all Chinese organs.<sup>314</sup> Not least of these was the Chinese customs administration.<sup>315</sup> The inspector general of customs had tried before the fall of Hankow to get the interested powers to address a note to Japan on the integrity of the customs administration.<sup>316</sup> But while Britain upheld the international character of the customs, and stipulated that the question of increased Japanese representation could only be settled at a general peace settlement, both she and the United States of America refused to make a general statement until the event actually occurred.<sup>317</sup> As Halifax pointed out on 10th November the Japanese were anyway legally entitled to greater representation on the customs. agreed during discussions in 1935 and 1936.<sup>318</sup>

The British attempted to find some basis for discussion which would extricate themselves from their difficulties. Allen the British consul at Shanghai suggested that the wind be taken out of the Japanese sails by getting the Chinese to agree to the principle of appointing more Japanese in view of the international character of the customs. Britain could then declare that what the Japanese demanded had been agreed in principle.<sup>319</sup> Chinese agreement however proved a long time to secure. Meanwhile despite these considerations the Japanese seized the Canton customs house on 9th November 1938.<sup>320</sup>

313. *ibid.*

314. *B.D. Vol VIII No. 257.*

315. *ibid. No. 166.*

316. *ibid. No. 180.*

317. *ibid. Nos. 179, 181, 183 and 201.*

318. *ibid. No. 230 + No. 182.*

319. *ibid. No. 182.*

320. *ibid. No. 231.*

Shiratori the ambassador designate to Italy declared on 14th November "the customs and the international settlement in Shanghai as being characteristic of British preserves which would have to be relinquished."<sup>321</sup> Britain protested against the seizure on 24th November,<sup>322</sup> and continued to back up the inspector general in resisting more Japanese demands.<sup>323</sup>

The British ambassador in Tokyo saw the sapping of the international character of the customs as a direct result of the Chinese refusal to implement the Anglo-Japanese customs agreement of 3rd May. He wanted to make any financial help to China "conditional upon immediate formal implementation of the Anglo-Japanese arrangements or the acquiescence in implementation of this arrangement if necessary under protest by the inspector general." He considered this to be the only way of preventing further seizure, supposing of course that the Japanese would still accept such a proposal.<sup>324</sup> "It would", Craigie told the foreign office in November "give us moreover a 'locus standi' for intervening on behalf of our own interests and those of China, and this aspect of the matter is necessarily unpalatable to the Japanese government."<sup>325</sup> On 17th January Clarke-Kerr reported that the Japanese had promised co-operation if China agreed to the implementation, but he also warned against placing too much reliance on Japanese promises.<sup>326</sup> It was in fact probable that the Japanese were less interested in the implementation of the customs agreement than in the seizure of the customs houses. (viz. Canton)

Whereas Craigie and Jamieson were in favour of increased Japanese representation as the best means of preserving the customs integrity,<sup>327</sup> Clarke-Kerr was strongly opposed to the idea. In a letter to Halifax on 22nd November he said that Japanese actions had demolished "any hopes that by 'co-operation' with Japan it may be possible to preserve our interests in China ... (the) time has come

321. ibid.No.251.

322. ibid.No.252.

323. ibid.Nos.258 and 335.

324. ibid.Nos.245, 412 and 466.

325. ibid.No.280.

326. ibid.No.246.

327. ibid.No.255.

to show the Japanese that we have no faith in their assurances ... and that we are going to back the Chinese."<sup>328</sup> He also considered that it would be most unwise for Britain in any way to condition any grant of financial assistance to the Chinese/<sup>on</sup>implementation of the Anglo-Japanese customs agreement.<sup>329</sup>

This latter question was given added point by the increasingly urgent Chinese pleas for aid because of the recent Japanese advances. Early in January/<sup>1939</sup> Chiang Kai-Shek had suggested that T.E. Soong visit London in order that Britain could discuss aid.<sup>330</sup> Britain he hoped would be more favourably disposed in view of the way the Japanese had taken the recent American credits 'lying down'.<sup>331</sup> The British, however, hastily scotched this offer as it would have certainly been interpreted as an attempt to raise a loan, and the publicity given would have added to the political complications.<sup>332</sup> of the loans already under consideration.

Then on 15th January the Chinese declared their intention of repudiating foreign debts secured on the Chinese maritime customs.<sup>333</sup> This rendered even more difficult the question of giving aid to China. The commercial secretary at Hong Kong Sir F. Leith Ross considered that the Chinese customs policy was disastrous,<sup>334</sup> and Britain stated that the proposals for British aid to China would have to be reconsidered in the light of this new situation.<sup>335</sup> Britain informed the United States that it had complicated the currency stabilization question, and that before Great Britain could agree to the latter she regarded it as essential to have adequate (commercial) security on her loans.<sup>336</sup> This meant that the British proposal for parallel action on the currency issue with America would be held up. Britain finally declared at the end of January that "a grant to assist Chinese currency depends upon the maintenance of the customs loan service which in its turn depends upon the implementation, in some

328. ibid. No. 266.

329. ibid. Nos. 394 and 419.

330. ibid. No. 400.

331. ibid. Nos. 233 and 394.

332. ibid. No. 403.

333. ibid. No. 423.

334. ibid. Nos. 428, 441, 330 and 436.

335. ibid. No. 442.

336. ibid.

form or other, of the customs agreement."<sup>337</sup> At the same time the British took great care to avoid definite promises of aid to China for, as Halifax pointed out to Clarke-Kerr on 3rd February, Britain "might be placed in an awkward position if the Chinese agreed to implement the customs agreement in hope of some support for their currency and His Majesty's government was finally unable to make contribution to currency stabilization fund now being considered."<sup>338</sup>

But the Chinese continued to refuse to implement the customs agreement. In view, however, of the British threat to withhold aid they agreed to come to some sort of arrangement over the repudiation.<sup>339</sup> Britain agreed to "make a reservation to the effect that their /Chinese/ acceptance of the arrangement should not be regarded as binding them to provide foreign exchange for the transfer of the quotas from occupied territories,"<sup>340</sup> as it was the question of foreign exchange transfer which alarmed the Chinese.

During the negotiations regarding the repudiation of the customs loans, the inspector general of the customs had been under increasing pressure from the Japanese. He had received intimations that the Japanese would demand the appointment of a number of Japanese commissioners for work in the customs house in occupied areas. He informed the British authorities in March that he hoped he would not be forced to give way, but if he had to he, declared he would "endeavour to do so on a contract basis - not on a permanent basis."<sup>341</sup>

But the Chinese government refused to allow any form of compromise with regard to the employment of extra Japanese on the customs' staff.<sup>342</sup> This put the inspector general in an impossible position as a policy of compromise was the only way to keep the customs under his nominal control and to obtain the opening of the Yangtse to general navigation. "Complete rejection of /Japanese/

337. ibid.No.457.

338. ibid.No.466.

339. ibid.No.524 and note 2.

340. ibid.No.562.

341. ibid.No.571.

342. ibid.No.572.

demands would result in independent Japanese action which would jeopardize the integrity of the service at an early date."<sup>343</sup> On 3rd April Clarke-Kerr begged the British government to request interested powers to back him up with the Chinese government.<sup>344</sup> Although the British and American sent requests in this manner the Chinese, while they gave their permission to engage foreigners on a wider basis, still resisted any attempt to come to any sort of terms with the Japanese.<sup>345</sup>

## L

BRITISH AID TO CHINA AUTUMN 1938-August 1939.

Chinese resistance depended in no small degree on the outside assistance she could gain. Realizing Britain was unlikely to use force against Japan, she looked to her for financial assistance. During the spring of 1938 the Chinese had asked for British assistance in the shape of loans or credits totalling 20 millions. Britain did not however, Sir John Simon declared on 14th July in the Commons, consider the security adequate enough, and decided she could give no guarantee which would involve a direct loan.<sup>346</sup>

The British government had in the autumn of 1938 decided to advise themselves on the possibilities of Export Credit Guarantee cover. The problem of finding adequate security was put into the hands of an Anglo-Japanese company. Britain gave no publicity to her decision as she felt "unwilling at this moment to take any chance of provoking an incident with the Japanese which would face us with the choice of climbing down or depleting our forces in European waters, for we are not in a position effectively to defend our interests in the Far East at the moment, and this situation is bound to continue," until the naval situation was better.<sup>348</sup> Britain

343. ibid. No. 592 note 2.

344. ibid.

345. ibid. Nos. 472, 482, 582 and note 2, 588 and B.D. Vol. IX No. 22.

346. 338 HC. Deb. 5s p. 1524.

347. 338 HC. Deb. 5s pp. 2961-2:3035-6:3500-1 and B.D. Vol VIII No. 158.

348. ibid. Nos. 67 and 158.

decided to keep the loan as a commercial transaction - again to avoid Japanese criticism that it was a political loan.

The British government and ambassador in China, were constantly bombarded with Chinese blandishments, pleas and recriminations for a clarification of British policy towards helping China.<sup>349</sup> Up to the end of 1938, however, the only satisfaction Britain had given was a promise to continue progress on the Burma railway. Their promise to keep the Hong Kong route open had of course proved a failure when the Japanese seized Canton. Halifax in fact blamed the Chinese themselves for hindering British help by agitating in Parliament. This was an embarrassment to the British government.<sup>350</sup> However in December as the under secretary for state said in the Lords on 6th December "a number of proposals are now under examination for assistance to China in connection with export credits."<sup>351</sup> One of these was a loan for Chinese refugees which was a useful way of cloaking British aid to China.<sup>352</sup> The Chinese request for aid for the Alley scheme received no support from the foreign office as there was little chance of France or America being willing to "subscribe £10 million each to a scheme in which humanitarian objects are mixed with avowedly military ones."<sup>353</sup> A currency stabilization was finally favoured by the foreign office, as it was considered better than a general purpose loan because the Japanese could have castigated the latter as a loan for military purposes.<sup>354</sup> A currency loan would enable China to release her reserves. But both Halifax and Craigie wanted the loan to be conditional on the Chinese acceptance of the customs agreement.<sup>355</sup>

Previous to December the British government had "no power in themselves to grant or guarantee a loan without special legislation."<sup>356</sup> But on 10th December the government pushed through legislation

349. ibid. No. 142.

350. ibid. No. 158.

351. ibid. No. 322.

352. ibid. Nos. 260, 321 and 394.

353. ibid. No. 275 for Alley Scheme.

354. ibid. No. 274.

355. ibid. above pp. 91-95.

356. Sir John Simon in Parliament on 14th July.

enabling the Board of Trade to give credits of up to £10 millions and giving the government greater responsibility over questions of commercial credits without having recourse to Parliament.<sup>357</sup>

An exchange of opinions, between Sir Robert Craigie and Joseph Grew American ambassador in Tokyo, showed that America was thinking along the same lines as Britain. In fact on 15th December a credit of \$25 million was announced dressed up as a commercial credit for the American commercial corporation.<sup>358</sup> Taylor of the United States Treasury suggested that while British and American action should not balance both should be kept informed of each others views. He also hoped that the American credit would be followed up by British aid in some form to China.<sup>359</sup> This was followed later in the month by a similar enquiry by Hornbeck, who underlined the damage to British prestige in America if she failed to follow their lead.<sup>360</sup>

Britain replied in January that she was anxious to take this action but could not act alone. She was, she said, aware of the American purchase of silver and the recent \$25 millions credit; but, that in view of Britain's recent allocation to China of £500,000 earmarked for China, immediately after the United States credit, which would become available when the Export Guarantees bill was passed "we think this should be regarded as our counterpart to the commercial credits guaranteed by the United States government last month." In reply to Hornbeck's query Britain declared that she had decided to assist the Chinese currency by a loan which would be used to stabilize it - provided the United States were prepared to take parallel action to support the currency at the same time.<sup>361</sup>

Britain realized that she must do something "to demonstrate our sympathy with the present United States policy of assisting the

357. ibid. Nos. 327 and 331.

358. ibid. Nos. 329 and 354.

359. ibid. No. 359.

360. ibid. Nos. 362 and 390.

361. B.D. Vol VIII No. 397.

Chinese ... and not lag behind if only to quiet United States suspicion that we are doing nothing."<sup>362</sup> It did in the early months of 1939 appear that the time had come when action of this kind might have the maximum effect on the dictators with the minimum risk.<sup>363</sup> There was also in the United States of America an increasing belief that the democracies were preparing to stand up for themselves.<sup>364</sup> The Chinese ambassador stated on 9th January to Halifax "how little casue there was to fear any dangerous reaction from any positive steps that we might feel disposed to take."<sup>365</sup> British moves to aid China did not go unnoticed in Japan. On 19th December she warned Britain concerning credits to China, and contended that it prolonged the war.<sup>366</sup> At the same time vituperation against Britain increased.<sup>367</sup> Japan saw the reasons for Britain's policy as fundamental "since it aims at resisting the threat in the success of Japan's continental policy to British interests in China, and to Singapore, Australia and India. Britain may make advances to Japan but this is no more than strategy to protect her disappearing interests in China."<sup>368</sup>

Chamberlain took great care not to be rushed into action by Chinese hopes on American action. Although the American credit produced a more accommodating attitude towards the United States of America in Tokyo, the Japanese army's attitude towards Britain did not alter.<sup>369</sup> The British had stated their willingness to co-operate with the United States of America in a currency loan but the latter regarded the British proposal with trepidation. They desired Britain to help the Chinese: But they declared they could not enter into discussions proposing identical action regarding the currency stabilization loan. They would, however, declared the President on 10th January, continue to help the Chinese currency by silver purchase and would take parallel but not joint action.<sup>370</sup>

Amid this tangled skein of negotiations Britain attempted to

362. ibid.No.479.

370. ibid.Nos.397 and 479.

363. ibid.No.311.

364. ibid.No.479.

365. ibid.No.406.

366. ibid.Nos.259 and 368.

367. ibid.Nos.291,307 and 251.

368. ibid.No.291.

369. ibid.Nos.405.

assess the dangers of acting alone and guaranteeing £3 millions for the stabilization loan.<sup>371</sup> Sir Robert Craigie doubted if a British currency loan would bring war with Japan, but <sup>yet</sup> the United States ambassador was not so sure. The foreign office believed that many influential Japanese supporters of the federal reserve bank thought that the stability of the Chinese dollar and currency was in the best Japanese interests. They hoped that Japanese resentment would be less on account of this. They also believed the "resentment engendered by commercial credits would be greater than that to be expected from supporting the Chinese dollar. Would not the former be easier to represent as direct assistance to the enemy, whereas the latter would be legitimate measure of passive self-defence by His Majesty's government, seeing that their action would be taken primarily to help British interests in China, and secondly interests of all those who have a stake in the country, advantage accruing to the Chinese government being incidental and not by any means prime motive."<sup>372</sup>

Meanwhile, however, the Americans fearing that they had gone too far in their statement of 10th January to the British government,<sup>373</sup> declared to the British ambassador in Washington that they did not even want parallel action with regard to the stabilization loan taken as a definite promise. They underlined that what they had actually meant was that if Britain decided to make a currency loan, and in the event of the American government deciding, after examining the possibilities to take a further step to assist the Chinese government then the United States government would be prepared to make a simultaneous arrangement at the same time as Britain announced her currency loan. Hornbeck added, however, that it was not yet definite that the United States government would decide to take a further step. "What must be avoided at all costs is any hint of collusion between our two governments."<sup>374</sup>

371. ibid.No.424.

372. ibid.No.424.

373. ibid.No.409.

374. ibid.No.456 and For.Rel.of U.S.1939 Vol III pp.800-871 for American diplomacy regarding the Chinese customs and currency.

Such were the difficulties faced by British policy in the Far East!

Despite the setbacks administered by the Chinese repudiation of foreign loans on the customs service,<sup>375</sup> and the American attitude, the consideration, of commercial credits for China continued. While the British government had agreed in principle by February "to ask Parliament for authority to give an indemnity to British banks concerned" they were still faced by technical problems.<sup>376</sup> Chief amongst these was the need for a central purchasing body to represent the Chinese government. The Export Credit Guarantee department emphasized that this was a matter for the Chinese government as it was in British interests to avoid being entangled in commercial negotiations with the Chinese for political reasons.<sup>377</sup>

Generally the British were very cautious over her commercial loans. Her Export Guarantees act, while it permitted £10 millions only envisaged £3 millions for China. Britain declared that she preferred "to await developments on the China-Burma railway before giving credits for this purpose." Their other reason for caution was that this "might stimulate Chinese efforts to provide a sounder credit basis than exists at present."<sup>378</sup> This proved difficult to obtain, and Halifax declared on 25th August 1939 in a letter to Clarke-Kerr, that unless Britain got security like the United States in woodoil and a guarantee of the bank of China, a difficult situation was bound to arise.<sup>379</sup> Neither would Britain hand over to China the unpaid portion of the Czech loan, or concert action with the league. Britain had to consider the state of her rearmament programme before granting loans.<sup>380</sup>

375. ibid.No.423.

376. ibid.No.505.

377. ibid.No.508.

378. ibid.No.593.

379. B.D.Vol IX Nos. 21 and 8.

380. ibid.No.54.

Concrete plans for a British contribution to a currency stabilization fund had been worked out by the beginning of March. The fund was to be managed in Hong Kong and "to be used for exchange operations to prevent undue fluctuations in the sterling value of the Chinese dollar." Its capital was to be divided thus:- £5 millions jointly from the two Chinese banks: £3 millions from the Hong Kong and Shanghai bank: and £2 millions from the Chartered bank. It was passed through Parliament on 29th March and was to be in force for twelve months.<sup>381</sup>

This, of course, raised Japanese fears that the Chinese currency was being managed by and printed in Britain. Craigie was told by Halifax in a letter of 8th March to "lay due stress on the precautions taken to ensure that the monies guaranteed are used solely for the support of the currency. But I think your main line must be that the stability of the dollar is a British interest, that our intervention in support of it has been rendered necessary by Japanese action ..."<sup>382</sup> Britain refused to consider a Japanese proposal for "the establishment of an international organization for the control of the Chinese currency in which the Japanese would doubtless claim a preponderant voice, but from which the Chinese government would be excluded"<sup>383</sup>

As it happened Japanese reactions to the British stabilization loan were surprisingly moderate. Craigie put this down to the "imminence of the serious problem of the fisheries dispute with Soviet Russia ... /and also that the Japanese government/ ... minimize the serious news of ... the fund" because they wanted to hide from their public the fact that hopes of an early peace had diminished. He added however that resentment in army circles was high.<sup>384</sup>

381. B.D.Vol VIII Nos.528,529,587,538 and 591.

382. ibid.Nos.529 and 546.

383. B.D.Vol VIII No.591 and Vol.IX No.19. For French contributions to the

384. B.D.Vol VIII No.565. Stabalization Loan-B.D.Vol.IX Nos.112,185,193 and 245.

Japanese action against the Chinese economy had almost drained the currency stabilization fund by May, and the British government became anxious concerning China's unfavourable balance of trade.<sup>385</sup> Rogers in a memorandum to Halifax on 30th May stressed that the outcome of the war would probably be decided by "currency war".<sup>386</sup> As long, therefore, as the Chinese could maintain their currency the efforts of the Japanese military would be frustrated. Support from abroad was essential. But Britain, as Halifax pointed out on 9th June could not be counted on for further assistance "even in the event of a new international effort to help China ... which was remote." Parliament, he continued, would consider that it "had done its share by guaranteeing £5 millions."<sup>387</sup> In any case the Chinese still refused to implement the customs agreement.<sup>388</sup>

On 16th June Rogers reported that the fund was virtually exhausted, and requested immediate consideration of financial support to counteract Japanese moves in Tientsin.<sup>389</sup> Britain however had other financial commitments to consider, and therefore, even in view of the recent Sino/Union of Soviet Socialist Republics commercial treaty of 16th June 1939, and the American agreement to postpone payments of interest and repayment of capital on cotton and wheat loans, China must not expect any increase in (the) contribution of His Majesty's government."<sup>390</sup> There was also no guarantee that a new loan would not disappear, as the last, in three months.<sup>391</sup> On 29th August Halifax told the Chinese ambassador that there was "little prospect of His Majesty's government finding it possible to make any further contribution to the stabilization fund."<sup>392</sup>

The currency question assumed even greater importance during the Tokyo talks. The Japanese "concentrated" their supreme efforts on the defeat of the currency as the main obstacle to victory."<sup>393</sup> At the same time the Chinese still requested, on 18th July, aid to the tune of £5 millions from a bill which was in Parliament for

385. B.D.Vol.IX Nos.110,120 and 128. 390. ibid.No.289.

386. ibid.No.131.

391. ibid.No.341.

387. ibid.No.168.

392. ibid.No.602.

388. ibid.Nos.168,286 and 321.

389. ibid.No.216 and No.342 for Chinese plea. 393. ibid.No.341.

additional overseas trade.<sup>394</sup> These new demands and the impending signature of the Board of Trade and Chinese government regarding £3 millions allotment to China under Export Credit Guarantee Department cover of February,<sup>395</sup> were embarrassing to Craigie in the Tokyo talks. Financial assistance, he believed, would have brought the Japanese government down, and destroyed any likelihood of the talks being successful. "Further negotiations here on the Tientsin issue would in such circumstances become impossible." In view of this he counselled postponement of the signature.<sup>396</sup>

But Halifax, in a letter to Craigie of 31st July replied that he could not even postpone the statement in Parliament about the imminent signature. He promised however that he would withhold the exact nature of the agreement from Japan; and state that it had nothing to do with the issues at stake in Tientsin, but was part of the general policy of the British government which Japan had said she would not raise.<sup>397</sup> Clarke-Kerr was also against any attempt to interrupt the credit as, coming on top of the formula, it would have had a very bad effect on China.<sup>398</sup> Such was the anxiety to preserve the talks in Tokyo however that the credit was held up to facilitate negotiations on the grounds of technical Export Credit Guarantee Department difficulties.<sup>399</sup>

M.

THE BRITISH ATTITUDE TO A CHINESE DECLARATION OF WAR.

Throughout the conflict in China there was the danger of a Chinese declaration of war.<sup>400</sup> This would naturally have rendered it impossible for Britain to give loans to the Chinese. Britain, therefore did not encourage this idea, as apart from being detrimental to British interests it would also have been disadvantageous to British interests. In a letter to Clarke-Kerr on 3rd March

394. ibid.

395. ibid. Nos. 412 (note 1)

396. ibid. No. 412.

397. ibid. No. 425.

398. ibid. No. 425.

399. ibid. No. 453.

400. B.D. Vol VIII Nos. 233 and 510.

Halifax pointed out that "The absence of a declared state of war is of assistance to China as it enables other powers to extend help of a character that might be incompatible with their strict duties as neutrals in a regular war. The American neutrality act has also to be considered in this connection. Similarly the present position has to some extent handicapped Japanese action by giving other powers grounds for objection to acts which might be legitimate if war existed."<sup>401</sup> It also "enabled other powers to extend help to her of a character which might have been impossible, to reconcile, with their strict duties as neutrals if a regular war had been in progress ... (This has incidentally helped us by enabling us to do more for British interests than would otherwise have been the case.)"<sup>402</sup> In actual fact, as Halifax said, a state of war already existed because of the Chinese invocation of articles 16 and 17 in the League, which could not be introduced without a state of war existing - a fact which had, however, fortunately been overlooked.<sup>403</sup>

N

#### BRITAIN AND THE SINO-JAPANESE CONFLICT IN INTERNATIONAL AFFAIRS.

In the simplest terms British policy in the Far East had to decide between China and Japan. To the Chinese it appeared that they were defending British interests against attack by Japan.<sup>404</sup> They were, however, suspicious that Britain would do a deal with Japan at China's expense, especially during the negotiations concerning Tientsin.<sup>405</sup> But they buoyed themselves up with the hope that Britain realized this would ruin her interests in China in the long run, "wreck all hope of active Soviet co-operation in League against the axis," and Britain's "fear of the reactions of American public opinion would be compelling enough to deter us."<sup>406</sup>

401. ibid.No.527.

402. ibid.No.553.

403. ibid.

404. B.D.Vol IX No.6.

405. ibid.No.28.

406. ibid.

Meanwhile the situation in Europe prevented Britain from committing herself in the East.<sup>407</sup> Consequently she would not accept Chiang Kai-Shek's offer of two hundred thousand men to protect Hong Kong, as this would have compromised her neutrality.<sup>408</sup> Neither would she give Chiang information about the Singapore conference for fear of the danger of leakage.

British policy in the Far East in the event of a European conflagration depended, as Halifax wrote to Clarke-Kerr on 13th April "to a great extent on the attitude of Japan. So long as Japan remains malevolently neutral, we shall do everything possible to prevent her from siding actively with the enemy powers. To that end we shall be compelled to avoid to open a collaboration with the Chinese government in their struggle with the Japanese."<sup>409</sup>

O.

BRITAIN: AND THE QUESTION OF RETALIATION AND SANCTIONS.

In any consideration of retaliation or of imposing sanctions on Japan, Britain had to assess her vulnerability to such methods. There was little doubt about one point: It was that Japan's chief creditor countries were Britain and America. (to the value of £53 millions and £85 millions respectively)<sup>410</sup> Moreover the great bulk of Japan's trade was conducted with the British Empire and United States. The figures, therefore, showed Japan's vulnerability to economic pressure.<sup>411</sup> They proved also that the maintenance of the export trade was the only means by which Japan could hope to purchase new raw materials needed to keep her factories at work.<sup>412</sup> The Japanese strove to effect this problem by her tripartite bloc of Japan, Manchukuo and Japan which would give her security like the British Empire.<sup>413</sup> The figures also bore out the British and French contention that sanctions would be of little

407. ibid. Nos. 6 and 11.

408. ibid. No. 45 (note 2)

409. ibid. No. 6.

410. Sir Robert Kindersley - Economic Journal 1937 and U.S. Dept of Commerce

411. R.I.I.A. Information Dept. Paper No. 21. Report.

412. Op. cit. No. 18, p. 59.

413. The Times 16th February 1939.

use without American support.<sup>414</sup>

On 13th December 1937 Eden stated in Parliament that Britain did not intend to ask for a meeting of the Far Eastern advisory committee on the defence of China.<sup>415</sup> This remained her attitude until the autumn of 1938 with the renewed Japanese advance into Southern China. As early as 29th August the British foreign office were contemplating the possibilities of petty vexations.<sup>416</sup> The British ambassador to Japan disagreed with this policy. In a letter to Halifax on 23rd October he said "Britain should be prepared to accept all the consequences of denunciation ... in ~~to~~ " before she resorted to action of any kind. In view of Britain's inability to accept such consequences and the fact ~~that~~ denunciation might be indistinguishable from sanctions, he counselled conciliation, and putting up with the losses until Japan had bled herself to death in China.<sup>417</sup> He was nevertheless in favour of letting Japan know Britain possessed such a weapon.<sup>418</sup>

On 4th November Craigie reported that he had raised the question of some form of retaliation with the United States ambassador Grew.<sup>419</sup> The latter had mentioned to Craigie that the United States was conducting "a careful review of their whole policy towards the Sino-Japanese dispute." Craigie in return mentioned that the risks of denunciation of the commercial treaty ... would be enormously reduced if the United States were to take parallel action ... There was a natural reluctance on our /Britain's/ part to take the initiative in such a matter in Washington."<sup>420</sup>

America had, it appeared, in her note of 6th October, her statement on 4th November, and her wheat loan, gone further than Britain in considering retaliation. This was an incidence the Chinese

414. B.D.Vol IX Nos. 35 and 237.

415. 330 HC Deb.5s p.785 and B.D.Vol VIII No.161.

416. B.D.Vol VIII No.57.

417. ibid.Nos. 175,208 and 315.

418. ibid.No.280.

419. ibid.No.210.

420. ibid. and For.Rel.of U.S. 1939 Vol.III.pp.475-558.

never failed to point out to the British government.<sup>421</sup> Despite these considerations however, and "although /the/ intentions of the Japanese government had ... become clearer it ... remained /the United States ambassador in Tokyo's/ view that even joint Anglo-Franco-American measures of the type contemplated would involve a serious risk of war ... at present."<sup>422</sup> Because of this in December 1938 the British were still not quite ready to furnish considered views in regard to possible punitive measures.<sup>423</sup> The American attitude, all important remained vague, and Hornbeck when he said on 5th December that recent developments had raised the distinct possibility of a stiffer United States policy refused to be drawn further, except to say they favoured commercial credits.<sup>424</sup>

At the beginning of 1939 therefore the British policy remained unchanged. There was, however, a realization that "the time has now come when it is no longer possible for British merchants by themselves to resist, without taking grave risks, the trading interference and restrictions now being imposed by Japanese authorities."<sup>425</sup> And it did appear to the British government and their embassies in Tokyo and China that, with the Japanese army tied up in China, and the stiffer American attitude, the time had come to undermine "Japan's whole financial and economic structure" by any means at their disposal.<sup>426</sup> There was less risk of war than at any other time, and as Craigie pointed out, Japan would be "limited by the degree of resistance which they encounter - and by nothing else," and "that risk of war is slight if properly handled."<sup>427</sup> Craigie stressed that the present Japanese policy was "based on the assumption, to which they still hold, that in no circumstances will Britain or America be able to take joint or parallel action in this matter."<sup>428</sup> But he added that American support must be forthcoming, and that "a policy of counter measures should not be embarked unless /Great Britain/ are prepared in the last resort to pursue it to the end."<sup>429</sup>

421. ibid. Nos. 260 and 261.

422. ibid. No. 285.

423. ibid. No. 313.

424. ibid. No. 319, 329 and 389 and 298 (note 1). For diplomatic correspondence between U.S. embassies in China and Japan and Washington in 1938 Vol. III.

425. ibid. No. 349.

426. ibid. Nos. 382, 384 and 385.

428. ibid. No. 453.

427. ibid. Nos. 384 and 453.

429. ibid.

Even supposing Britain got America's co-operation, any demand to Japan to respect British interests would have to be backed up by force. This was of course the whole problem - where did economic retaliation end? When would Britain have to use force, or Japan use force to prevent her own defeat as a result of embargoes? The United States could not be relied on the British foreign office believed, because of their refusal to take part in the negotiations of a customs agreement, the purely legalistic attitude of their recent notes to Japan, and Hornbeck's reply to British peace suggestions in the unofficial exchange of views between Britain and the United States of America in the spring of 1938. Reprisals, they concluded, would mean Japan turning on Britain.<sup>430</sup>

As neither Britain nor America were prepared together or singly, for war, the British decided that "a policy of assistance to China is at present preferable to one of taking any measure of retaliation against Japan."<sup>431</sup> The policy they adopted was of hints about the application of counter measures.<sup>432</sup> Neither was Britain prepared for league action. On 28th June 1939 Chamberlain, in a statement to Parliament, declared that Britain was "not disposed to consider the advisability of referring the dispute to the council of the league of nations."<sup>433</sup> This of course only underlined the Japanese belief that in no circumstances would Britain take any action.

430. ibid.No.568.

431. ibid.Nos.465 and 479.

432. ibid.No.476.

433. 349 H.C.Deb.5s p.386.

## PART III

## A

THE BRITISH POSITION IN TIENTSIN JUNE 14th 1939 -  
JULY 15th 1939.

The Japanese carried out their threat of a blockade at Tientsin on 14th June at 6.a.m. with a live wire barrier around the enclave.<sup>1</sup> The British Prime Minister announced on 15th June, in the House of Commons, that Britain had made representations, but it was clear "that the objective of the blockade is to secure a much wider form of co-operation from the British authorities in North China, ... demands far wider ... than the question of the four men," including currency and the suppression of fapi within the concession. "Such demands would raise important questions of policy, in which other great powers are concerned no less than this country, and the closest touch is being maintained with the French and American governments."<sup>2</sup> In any case as Halifax wrote to Craigie on 4th July "the avoidance of a collapse of the Chinese currency is a cardinal point of our policy."

The British protests took the form of a protest against searching and stripping of British subjects as other nationals were not subjected to this treatment.<sup>3</sup> The foreign office must, however, have been aware that "Tientsin is but symptomatic. The major cause of our trouble is ... a vast clash of interests in China." In view of the grave situation Britain had hoped to be able to use the United States in pressing a committee of enquiry on the Japanese to settle the local incident.<sup>4</sup> Although Japan had refused this plan, Britain was still, Halifax said on 15th June, prepared to move along these lines. Hoping to use Japan's attempted detente with the United States of America,<sup>5</sup> Britain still feared that her motives were to drive a wedge in the Anglo-American alliance. Nevertheless Britain could just not "turn down any proposal towards ensuring peace"<sup>6</sup>

1. Sir.R.Craigie op.cit.p.73.

2. B.D.Vol IX Nos.208,225 and 210.

3. ibid.Nos.209 and 236.

4. ibid.Nos.210 and 218.

5. ibid.No.199.

6. ibid.No.215.

America said Hull on 19th June was not interested in the original Tientsin dispute or the four men, but were concerned "with the nature and significance of subsequent developments in their broader aspects coupled with other past and present acts and utterances in other parts of China."<sup>7</sup> To Britain they declared their intention of waiting to see what the outcome of Craigie's talks with the Japanese foreign minister would be.<sup>8</sup>

Because of the ruthless blockade of the concession the British government decided that it was unwise to "surrender ... the four men under the present military pressure," or "negotiate under threat."<sup>9</sup> But they realized that everything depended on the attitude of the United States of America and hoped to be able to use the President's recent talk with the French ambassador in which he urged help to the Chinese to impress upon the Americans that they should side with the democracies.<sup>10</sup> At the same time the British claimed that the Japanese demands affected the rights of other powers, and were too far reaching to be settled by Britain alone. Japan replied in a press statement on 17th June which declared that the British proposal for a joint committee was only a "British attempt to bring in third party intervention /which/ is quite unacceptable to Japan."<sup>11</sup>

Because of the grave situation and the neutral position adopted by America it became obvious in London that some form of negotiation on a national basis would have to be carried out. This fitted in well with the ideas of Sir Robert Craigie who had never been happy about the British attitude regarding the four men, or Britain's benevolent sympathy towards China. Craigie envisaged a stricter neutrality like the American attitude.<sup>12</sup> He considered "that the only chance of a peaceful issue lay in removing the venue of discussion from the superheated atmosphere of Tientsin."<sup>13</sup> He therefore suggested that the following proposals be put to the Japanese government:

7. Foreign Relations of U.S. & Japan 1931-41 Vol. 1. p. 652.

8. B.D. Vol IX No. 232 (Note 2)

9. ibid. No. 219.

10. ibid. No. 223.

11. ibid. Nos. 226 and 236.

12. ibid. No. 227.

13. Sir R. Craigie op.cit. p. 73.

That blockade measures be withdrawn: That Britain would discuss all questions relating to Tientsin on the basis of a. British authority in the concession remaining intact, and b. A strict maintenance of neutrality: That negotiations be set afoot for an early settlement in Tokyo.<sup>14</sup>

Craigie was told on 19th June to put these proposals to the Japanese minister for foreign affairs as "Britain was impressed with the difficulty of retaliatory action," which was the only alternative, and wished to find a "settlement by negotiation."<sup>15</sup> The foreign office, however, stipulated that only points relating to the Tientsin dispute were to be made the subject of negotiations. Britain, they added, was prepared to modify the treaty rights, but she would only do so with multilateral modification with all the other parties concerned.<sup>16</sup> Putting these proposals unofficially to the Japanese minister for foreign affairs, Craigie mentioned a "formula ... which would embrace the desiderate of both sides and form the basis of any discussion," but not mention wider issues.<sup>17</sup> In short Britain wanted to localize the issues involved.<sup>18</sup>

The British ambassador to China viewed the proposed talks with alarm. He believed that any truckling to Japan would lose Britain's good name in America, and the world, as well as destroy China.<sup>19</sup> Moreover British support of China was pledged at Geneva. The British ambassador in Washington supported this view. Referring in a letter to Halifax on 24th June to the recent action at Swatow when the British and American ships had refused to leave on a Japanese order, he declared that a compromise with Japan would forfeit future American co-operation of this kind.<sup>20</sup> Clarke-Kerr moreover believed that Britain's continued resistance in Tientsin had frustrated Japan's aims in North China, and encouraged the Chinese. The Japanese were trying to bully Britain into departing from her usual policy in the hope of bringing to an end a war which had got out of their control.<sup>21</sup>

14. B.D.Vol.IX No.227.

15. ibid.No.230.

16. ibid.

17. ibid.No.229.

18. ibid.Nos.247 and 274.

19. ibid.Nos.258 and 231.

20. ibid.Nos.258,264 and 270.

21. ibid.No.231.

There was also another point to be considered. Whether Germany was behind Japan in the present case or not, was debatable: But she would certainly have taken advantage of any serious trouble in the Far East to take action against Danzig. Japan would use Britain's embarrassment in Europe to grab China, and Germany would do the same in Europe. Sir P.Lorraine, the British ambassador to Italy wrote to Halifax on 21st June and said that not only would China see any action along the lines suggested by Craigie as surrender, but so would the fascist world. They would hail any compromise over Tientsin as a British humiliation. Lorraine therefore advocated a show of force and determination to impress, in particular, Italy.<sup>22</sup> Chamberlain, however, also saw the dangers of any use of force which would have an equally damaging affect on Britain's relations with Germany. It was he declared "maddening to have to hold our hand in face of such humiliation, but, we cannot ignore the terrible risks of putting such temptations in Hitler's way," and on 28th June he announced to Parliament that conversations would take place in Tokyo.<sup>23</sup>

Meanwhile Hull in a speech on 19th June warned Japan that her actions were arousing American distrust. Lindsay reported on the same day that the under secretary of state had told him that the United States of America were "preparing a 'broad statement' on developments in the Far East ... /and/ ... the more the situation was examined the stronger his broad statement was likely to be ... /and/ ... admitted that it might be representations of Tokyo."<sup>24</sup> But in reply to a British request that if the currency question was raised America would let their ambassador in Tokyo take part in the negotiations the Americans returned a refusal on 15th July, but wanted to be kept informed.<sup>25</sup> In any case Japan was convinced America would not intervene, and the blockade continued.<sup>26</sup>

22. ibid.No.244.

23. K.Feiling op.cit. and 349 HC.Dec.5s p.386.

24. B.D.Vol IX Nos 232 (note 2) and 235

25. ibid.No.329.

26. ibid Nos.280,295,377 and 378;also see R.I.I.A.Docs.1939-46 Vol.I pp.531-547 for neutrality policy of U.S.A.

The British consul at Tientsin was eager to hand over the four men demanded by the Japanese, as from the legal point of view "the Japanese were given to understand that the men would be handed over; It was only a question of the correct procedure."<sup>27</sup> The British foreign office considered this serious as in any refusal the Japanese could accuse the British of a breach of faith.<sup>28</sup> But they still refused to hand over the men unless Japan produced any more evidence.<sup>29</sup> They also declared that such a condition to any talks would ensure the refusal of Britain to negotiate. Britain also, in an attempt to get the barricades lifted, warned Japan that she would find it difficult to negotiate under pressure.<sup>30</sup> Parliament and the British public demanded satisfaction for "these intolerable insults."<sup>31</sup> Halifax told Craigie on 23rd June that if nothing were done he would consider publication of the evidence of discrimination.<sup>32</sup> Craigie was opposed to this as he believed it would destroy all hopes of any peace,<sup>33</sup> but did believe Japan should be warned against further action.<sup>34</sup>

Britain could obviously not afford to make amelioration of conditions at Tientsin a condition of negotiations. But by some means she had to keep the force of her threats, and come to some agreement with Japan. The Japanese government promised on 19th July that the commencement of talks would bring relaxation of measures in Tientsin.<sup>35</sup> But they requested that Britain should not press for an official promise as it would cause them embarrassment with the army.<sup>36</sup> Britain was not in a position to press for a cessation of atrocities. If she declared that she would not negotiate unless restrictions were withdrawn it would put her in a position which might cause her to break off talks and cause a rupture. At all costs, negotiations, once afoot, had to be kept going,<sup>37</sup> even though as Halifax said to Craigie on 4th July, there was "no real room for compromise" in view of the American attitude which favoured Britain as long as she made no sacrifice of principles.

27. ibid.No.249.

28. ibid.no.261.

29. ibid.No.247,190..

30. ibid.No.250.

31. ibid.No.252.

32. ibid.No.253.

33. ibid.Nos.257 and 262.

34. ibid.No.248.

35. ibid.No.279.

36. ibid.Nos.255,307 and 346.

37. ibid.No.263.

There appeared to be no half-way house between complete surrender and no concessions.<sup>38</sup> But one had to be found.

Having agreed to the principle of negotiations on the understanding that they would not introduce wider issues the Japanese still continued <sup>to demand</sup> a radical change in the British government's policy.<sup>39</sup> There was in fact an attempt by the Japanese to get general discussions of policy discussed.<sup>40</sup> The British realized that the more they acquiesced the more the Japanese would increase their demands.<sup>41</sup> Nevertheless they agreed on 12th July, on Craigie's suggestion,<sup>42</sup> to discuss wider issues of policy through the ordinary diplomatic channels, at the same time trying to make Arita stick to his original promise of only discussing local matters in the talks.<sup>43</sup> At the same time Britain refused to comply with Japan's request that Britain make a public announcement concerning a future "stricter neutrality" towards the Sino-Japanese incident.<sup>44</sup> The foreign office considered that a promise of neutrality would be tantamount to assuming Britain's past unneutrality and "we should not be prepared to make any admission of unneutral conduct."<sup>45</sup> Britain also feared that any announcement would be contrary to her League commitments, and would be used by Japan to refer to the whole of China and not this specific local issue.<sup>46</sup>

B

BRITAIN AND THE ANGLO-JAPANESE FORMULA OF  
24th JULY.

On 15th July Arita submitted his draft agenda and formula to Craigie.<sup>47</sup> It included, as a preliminary that the British government must recognize that the Japanese army was conducting large scale operations in China, should agree not to assist the Chinese in areas

38. ibid.No.283.

39. ibid.No.304.

40. ibid.Nos.304 and 305 (note 1)

41. ibid.No.307.

42. ibid.No.305.

43. ibid.No.315.

44. ibid.Nos.311 and 312.

45. ibid.No.312.

46. ibid.No.315.

47. ibid.Nos.325 and 328: and  
Sir R.Craigie op.cit.pp.74-75.

occupied by Japanese forces, and not hinder the objectives of the Japanese army.<sup>48</sup> The British objected on the grounds that it related to the whole of China, and invited the British government to agree, in advance and without qualifications to any measures which the Japanese military authorities might take in what they termed 'self-defence'.<sup>49</sup> The Japanese required in other words a military carte-blanche. It also implied that Britain had countenanced acts of terrorism previously.<sup>50</sup>

It was evident that it was impossible for Britain to consider a rupture, even as it was impossible for them to consider the 'carte-blanche'.<sup>51</sup> Her military unpreparedness in the East depended upon the European situation which was worsening. British fleet movements were difficult, and the prospects to British observers in Tokyo were dismal. They believed if the talks failed and the Japanese increased their pressure, retaliatory action by Britain would act as an incentive rather than a deterrent to hostilities. On the other hand the war office believed that Japan would prefer to exercise pressure by indirect means in view of her weak economic position. This did not however remove the fear that her military might push her into war.

Halifax was in favour of meeting Japan half-way in the formula. But he refused to consider a carte-blanche.<sup>52</sup> He was prepared that reference to third power interests and the question of general policy being discussed through ordinary diplomatic channels be omitted from any statement if it meant sacrificing agreement because of them.<sup>53</sup> It was evident however that some general statement would have to be issued before the Japanese military would agree to await the result of the proposed conference,<sup>54</sup> and because of the critical European situation<sup>55</sup> Craigie presented a counter-draft on 19th July which did not raise questions of third power interests such as currency. Japan refused this.<sup>56</sup> Enquiries as to the reasons elicited the reply that

48. B.D.Vol IX.No.325 (Annex 2)

49. ibid.No.327.

50. ibid.No.349.

51. ibid.No.331.

52. ibid.

53. ibid.No.337.

54. Sir.R.Craigie op.cit. chapter 13.

55. Hull op.cit. p.635.

56. B.D.Vol IX Nos.347 and 355.

what Britain would agree to - so would France and America. The Japanese were trying to force Britain into acceptance, and use this to make France and America acquiesce in their domination of China.<sup>57</sup> Craigie also asked Arita if he would have any objections to the inclusion in any proposed formula of "specific reservation of our right to object to any particular step or requirement of the Japanese military authorities."<sup>58</sup> Arita declared that Britain could object to particular measures, but did not want it written into any formula. As an alternative Craigie suggested that this could be included in a letter to His Majesty's government.<sup>59</sup>

The British ambassador in Tokyo believed that Britain had given way as much as she conceivably could. He considered that if negotiations broke down Britain would have a good case in world opinion.<sup>60</sup> He suggested "the introduction of legislation" permitting restrictions on imports as suggested by Halifax earlier, to scotch the Japanese belief "that there is no limit to our conciliation".<sup>61</sup> Fortunately for Britain things did not reach this pass. After exhaustive and detailed talks with the Japanese foreign minister Craigie was able to report on 21st July that he had reached a certain measure of agreement over the proposed formula.<sup>62</sup> Difficulties concerning anti-British acts in China, third power interests, and Britains right to object were hidden in vague phraseology which Halifax accepted on the following day.<sup>63</sup>

The British action was not so much a reversal of policy as a gradual withdrawal. Chamberlain and Halifax, preoccupied with the worsening situation in Europe, knew perfectly well they could not afford to break off negotiations in Tokyo without some very good reason or adequate support. They also realized that they must not give way completely as this would damage Britains prestige in America. It would also be hailed as a defeat in Germany and Japan.

57. ibid. nos.326 and 336.

58. ibid.No.347.

59. ibid.Nos. 347 and 349

60. ibid.No.348.

61. ibid.No.350.

62. ibid.No.355.

63. ibid.No.359.

Both countries would have used it as propaganda material against Poland and China as further proof of Britain's sacrifice of her allies and principles.

The Japanese cabinet were no doubt aware of Britain's stand in Europe and her guarantees to Poland. They must also have been apprehensive about the silence of America and Russia. It was not in their interests to drive them into alignment with Britain. Japan therefore no less than Britain was occupied on two fronts. She also had to mollify the army leaders who were in favour of a full-scale attack on British interests in the Far East. British diplomacy was able to play on these fears. Had America been as disinterested in the negotiations at Tokyo as Japan declared she was there is little doubt that Japan would not only have broken off the talks but never agreed to the talks in the first place. Britain was able to use Japan's uncertainty to play for time. The formula was meant to mean as little - or as much - as either side required; hence its vague phraseology.

If Britain's interpretation of the formula is accepted it cannot be called a retreat. If Japan's interpretation is accepted Britain certainly backed down. There is no doubt that China, Russia and America feared she had. Paradoxically Britain was able to use America's fear to good advantage. When the Americans declared their mis-givings to the British government, and especially when they denounced their trade treaty with Japan, the Japanese believed, rightly or wrongly, that in the event of a break in negotiations or war, that America would side with Britain. It was a fortunate assumption for Britain.

Britain was able to preserve her principles and treaty rights. Nevertheless it must be admitted that she conceded more than Japan, and in the formula gave Japan another weapon to use against her. One must take into consideration however British naval and military unpreparedness in Europe and the East and the lack of effective

American support. With this in mind there seems to have been little other alternative for Britain. If blame there is it must surely lie in the mistakes of the peace settlement of 1919, the exclusion of Japan from the spoils of her victory, America's non-co-operation with the league, the failure to stop the rape of Manchuria, the Rhineland, British disarmament, and the failure of collective security. The appeasement of the 1930's left Britain unable to make a stand. The formula was therefore an undignified expedient forced upon her by previous policies.

The British foreign office agreed that the formula should not affect British representations to Japan, in particular cases; that although no reference had been made to anti-British acts the question would be raised at the talks; that the formula did not affect Britain's treaty obligations towards other powers and that no exaggerated claims be made about the formula. Halifax wanted to make a statement, to this effect, in Parliament on 24th July.<sup>64</sup> The Japanese foreign office objected to the last point. Craigie suggested that any speech to Parliament should merely state that he had represented to Japan "the great importance of discouraging ... exaggeration of claims"<sup>65</sup> and its context toned down to facilitate agreement. On the basis of the above negotiations the Prime Minister announced in the Commons on 24th July that a formula had been agreed on between Great Britain and China.<sup>66</sup>

The vague phraseology of the formula was at once used by the Japanese army. Their main objective had been to extract from Britain some admission or undertaking which they could represent as a betrayal of China.<sup>67</sup> Any hope that Britain could forestall Japanese distortion of the formula was dashed by the Japanese Prime Minister's interview to the press on 22nd July. He declared that matters of

64. ibid.No.360.

65. ibid.Nos.373 and 368.

66. ibid.Nos.379 and 365 and 350 HC Deb.5s p.994.

67. BD Vol IX 356.

principle having been decided, local issues could be discussed and added "the principle agreed upon applied to the whole of China, not to Tientsin only. Britain he declared would in future have to refuse further credits to China.<sup>68</sup> This brought repeated calls from China, and Clarke-Kerr that a public statement be made denying these charges, especially that Britain might come to terms over the currency question.<sup>69</sup> Chamberlain therefore made a statement in the Commons on 31st July in which he denied that there was any change in British policy, or any surrender of interests belonging to third powers. Britain, he declared, continued to stand by the nine power treaties and her note of 14th January.<sup>70</sup> The formula was intended by Britain to be merely a recognition of fact, involving no new commitments, Japan however, believed it did and gave it unwarranted propaganda.<sup>71</sup>

The Chinese were not the only power perturbed by the formula. On 25th July Mr. Maisky the Soviet ambassador asked the British foreign secretary whether the formula "implied a recognition of the Japanese administration in occupied areas of China." He also said that as the concessions had always been neutral he could not see what difference the Tokyo agreement had made. Lack of financial assistance to China by Britain, he warned, would be taken in foreign circles as a sign of change in British policy. He also considered that the British loan of £5 millions was very small, and that although Halifax had said the British purse was not bottomless, these loans should be considered on their political merits as political subsidies, and not as an economic proposition - a plea echoed by the Chinese.<sup>72</sup>

The Americans had also been watching the negotiations arising out of Tientsin with growing concern. While they refused to make informal approaches to the Japanese before the formula they had authorised

68. ibid.No.372.

69. ibid.Nos. 369,370,389,395,401,436 and 437.

70. ibid.No.451 and 350 HC.Deb.5s pp.2025-6.

71. B.D.Vol IX No.384 and Sir R.Craigie op.cit.p.75.

72. B.D.Vol IX No.390.

Dooman, their chargé d'affaires, in Tokyo, to emphasize their concern on the same lines as Hull's statement on 19th June.<sup>73</sup> They were also apprehensive, for their own interests in China, which the British recognition of Japanese "special rights" and "special interests" could place in jeopardy. Hull also considered it weakened Chinese morale. The American answer to these events was the abrogation of the 1911 American-Japanese commercial treaty on 26th July.<sup>74</sup>

C.

BRITISH REACTIONS TO THE ABROGATION OF THE AMERICAN-JAPANESE TRADE TREATY.

The American denunciation, effective from 26th January 1940, burst like a bomb. England, who had been unable to draw her into the currency issue over Tientsin, now hoped that, in this denunciation, America was evincing a desire for closer co-operation. This was not, however, the case. Hull told Lindsay in Washington that America viewed it entirely as a commercial gambit.

There was more to it of course. America was disturbed over the shift of the balance of power in the east, and also more immediately over the Anglo-Japanese formula of 24th July. They seized this opportunity of correcting the balance by this method at their disposal. Lindsay, however, declared "it would be rash to assume anything of American policy" or to think that the United States were contemplating an economic blockade or drastic action.<sup>76</sup> It was Hull's favourite policy of keeping Japan from guessing. Lindsay believed that the United States hoped by their action "to afford some relief to His Majesty's government in their present difficulties."<sup>77</sup> Their action did scotch the Japanese hope that by directing their attack against Britain they would split the alliance of the democracies.<sup>78</sup>

73. Hull op.cit. p.635.

74. ibid. p.636 and For.Rel. of U.S. 1939 Vol.III pp.558-636.

75. ibid. p.637.

76. B.D.Vol IX Nos.405,431,488 and Hull op.cit. p.640.

77. B.D.Vol IX No.405.

78. Hull op.cit. pp.630-1.

While the Japanese were shocked, the Chinese were delighted at this unexpected reminder of active western interest in the Far East.<sup>79</sup> For Britain, however, it brought the embarrassment of increased pressure by China for Britain to take a similar step which as Chamberlain said on 4th August 1939 she was not in a position to do.<sup>80</sup> The British had been considering equipping themselves with legislation to place embargoes on goods of other powers. But even though Japan would not have been mentioned she would have realized that it was meant for her. They had therefore come to the conclusion that as it was unlikely that America or the Dominions would join Britain, it was too dangerous, unless the threat would make the difference of success or failure of the negotiations. Craigie in a letter to Halifax on 5th August believed that the denunciation coming as it did without any economic pressure or co-operation with Great Britain had helped the German/Japanese alliance, and in fact the Tokyo militarists made great efforts to secure a German alliance.<sup>81</sup> The British foreign office considered that the Japanese would now realize the importance of nullifying the United States in order to secure a new treaty with them: But that was no indication that they would change their policy until they saw how far the United States would go.<sup>82</sup>

D

ANGLO-JAPANESE NEGOTIATIONS ON QUESTIONS RELATING TO PUBLIC ORDER IN TIENSIN.

Almost as soon as the talks began in Tokyo on 27th July it was decided to conduct separate negotiations on matters relating to public order within the Tientsin concession, and matters concerning currency and silver.

79. B.D.Vol IX No.424.

80. 350 HC.DEB.5s p.2868 and B.D.Vol IX No.385

81. B.D.Vol IX No.477 and Langer and Gleason - The Challenge to Isolation 1937-1940 pp.158-159.

82. ibid.No.567.

The Japanese demanded that a necessary requirement of their army in China included independent Japanese police action within the concession, and the dismissal of undesirable elements in the British municipal police force.<sup>83</sup> The British government refused independent police action, and the question of the latter was postponed. They also stipulated that any suggestions made by their representatives in Tokyo were only recommendations to His Majesty's government and the municipal council, and were not binding.<sup>84</sup>

Craigie was able to report on 28th July that "negotiations regarding police matters have on the whole gone fairly well up to date and we have been able to preserve the principle of maintenance of full British authority in (the) concession."<sup>85</sup> By 1.10.p.m. on 1st August he was able to report <sup>that</sup> /on questions concerning the policy of the concession, provisional agreement had been reached - except in the number of gendarmes to be stationed in the concession.<sup>86</sup> The Japanese demanded thirty gendarmes. Craigie hoping first to limit their number to five, eventually agreed to ten during the same afternoon. Halifax said he would only agree "with extreme reluctance" and wanted the agreement on the number renewed at the end of three months.<sup>87</sup>

By 10th August Britain was "in sight of agreement over police matters at Tientsin," which was "the ostensible object of those conversations."<sup>88</sup> Britain declared that in future cases she would accept the legality of confessions made to the Japanese gendarmerie. The Japanese police were also allowed to supply information about suspects, and be present when the municipal police took action against them. But the Japanese police were not to have the right of independent action within the concession.<sup>89</sup> Britain also made it quite clear that any agreement was not taken to imply a recognition of the provisional (puppet) Chinese government.<sup>90</sup>

83. ibid. Nos. 376 and 421.

84. ibid. No. 402.

85. ibid. No. 403.

86. ibid. No. 438.

87. ibid. No. 503.

88. ibid. No. 508.

89. ibid. Nos. 438, 504, 508 and Sir. R. Craigie op.cit. pp. 75-76.

90. ibid. No. 467.

Ultimate agreement was, however, held up by the Japanese insistence that it was impossible to "conclude a separate agreement on police questions."<sup>91</sup> They also refused to lift the blockade until agreement was reached over the currency and silver questions.<sup>92</sup> The force of these threats was underlined by the riots over the silver and fapi questions in Tokyo on 18th July and 1st August.<sup>93</sup> The Japanese had in fact failed to keep their promise to ameliorate conditions on the commencement of the talks, and anti-British acts continued.<sup>94</sup> There was the danger as a result, that if Britain continued the talks despite these riots, the effect would be bad for her prestige. Britain would appear impotent in the face of threats.<sup>95</sup>

On 5th August Halifax informed Craigie that he agreed to the internment of Ssu Ching-Wu and the expulsion of three internees wanted by the Japanese. He also agreed that Li Han-Yuan chief of municipal police should be sent to Scotland Yard on a special course. This would remove one cause of irritation and could also be represented as normal procedure rather than action under pressure.<sup>96</sup> In view of Craigie's repeated requests, however, reconsideration of the evidence and their desire to conclude an agreement on police matters, the British government finally agreed to hand over Ssu and the four men implicated in the murder of Cheng to the Japanese.<sup>97</sup> Britain also decided to make a public statement declaring her intention to give the men up.<sup>98</sup> In this way she hoped to prevent any suggestion that she was withholding the four men as a bargaining counter until conditions improved.<sup>99</sup> Therefore, although both Craigie and Clarke-Kerr disliked the idea and the Japanese government feared that it would be taken by the army as a manoeuvre to detract attention from

91. ibid.No.442 and No.537.

92. ibid.No.448.

93. ibid.No.439.

94. ibid.Nos.408,409 and 576 and Sir R.Craigie op.cit.pp.76-77.

95. ibid.No.409.

96. ibid.Nos.421,429 and 478.

97. ibid.Nos.472 and 490.

98. ibid.Nos.494 and 506.

99. ibid.No.506.

the important issues, the British government announced that the men would be given up on 10th August.<sup>100</sup>

The Chinese regarded the British decision to hand over the four men as tantamount to recognition of the illegal regime Britain was pledged not to recognise.<sup>101</sup> Britain categorically denied this in a note to the Chinese government on 25th August, which was also published in the press.<sup>102</sup>

But even though the British government had agreed to hand over the four men, which was one of the reasons the conference was convened at Tokyo, the Japanese refused a general agreement because of the currency question. This was merely an extension of their attitude over the police question. As it happened the British decision was not given immediate implementation because a writ of habeas corpus was issued on the four men.<sup>103</sup> Their surrender was therefore deferred pending proceedings in the High Court,<sup>104</sup> although the Japanese had declared their willingness to take the four men and intern Ssu.<sup>105</sup>

The habeas corpus proceedings proved to be a failure as the High Court declined to issue a writ.<sup>106</sup> The British government therefore informed their authorities in Tientsin to hand over the four men to the local Chinese authority. They were instructed to do so as quickly as possible in order to prevent renewed legal proceedings. Jamieson reported he would hand over the men on 30th August.<sup>107</sup>

It was realized that the four men would be tried under Chinese and not British law, and therefore to many observers it appeared that they would not get a fair trial.<sup>108</sup> This was the opinion of the

100. ibid.Nos.498,502 and China Association op.cit. p.43.

101. B.D.Vol.IX No.523.

102. ibid.No.588 and China Association op.cit.p.43.

103. B.D.Vol.IX No.524.

104. ibid.No.544.

105. ibid.No.457.

106. ibid.No.579.

107. ibid.Nos.579 and 605.

108. ibid.No.585.

British ambassador to China (but not Craigie's). He consequently took the unparalleled step of deferring the execution of the foreign office order, believing as he did that the handing over of the four men was not only unjust but a bad political move. In his view the more one gave the Japanese the more they wanted. He was however as much biased in favour of China as Craigie was of Japan. The reasons he gave were technical and legal. The assistant judge had "granted a summons to the commander of Tientsin to show cause why the writ of habeas corpus should not be issued"<sup>109</sup> The British ambassador in Tokyo in a letter of 2nd September, regarded this as "incessant prevarication" on the part of Clarke-Kerr, and considered that it would destroy all Britain's attempts to renew the Tientsin negotiations, when Britain had already promised to hand over the men.<sup>110</sup> In view of this the foreign secretary eventually decided to hand over the four men and Ssu "for reasons of state."<sup>111</sup>

Jamieson reported on 6th September that the four Chinese had been handed over to the District court; and on September 12th that Ssu had been handed over to the representatives of the public safety bureau.<sup>112</sup> This pleased neither Clarke-Kerr or the Chinese, but possibly lessened the tension.

## E

### ANGLO-JAPANESE NEGOTIATIONS RELATING TO THE SILVER AND CURRENCY QUESTIONS.

The Japanese government, although they had promised not to introduce wider issues into the talks at Tokyo did so. They demanded the surrender of the Chinese silver stocks in the concession to the puppet Chinese government, the co-operation of the British municipal authorities in enforcing the use of federal reserve bank notes,

109. ibid. Nos. 610, 614 and 616.

110. ibid. No. 612.

111. ibid. Nos. 614 and 615 China Association op.cit. p. 43.

112. B.D. Vol. IX No. 615 (note 2)

and the prohibition of fapi.<sup>113</sup>

In view of the deadlock that ensued it became imperative by the end of July for the British government to obtain the support of the United States of America.<sup>114</sup> The latter were, however, unwilling to co-operate. They wished to retain their freedom of action and neutrality, and blamed Britain for relying too much on a Chinese victory, so that Britain had become identified, in Japanese eyes, with China.<sup>115</sup> Thus when the British government requested Lindsay on 25th July to ask the United States of America for a common bank policy regarding the federal reserve bank currency policy and the silver reserves, pointing out that it undermined Chinese resistance and American interests in China,<sup>116</sup> the Americans would not commit themselves. They declared to the British embassy in Washington on 31st July that they had already expressed concern over the currency question, and were sending another note on the same lines, but said they were not interested in the silver question. Further than this they would not go.<sup>117</sup> As Kato remarked to Craigie on 3rd August, the Americans "had made it clear that they had not the slightest desire to participate in the present conversations."<sup>118</sup> Without American support Britain had to seek a compromise half-way between acquiescence in the elimination of British trade in China, and a complete refusal to contemplate any concession of principle.

On both the currency and silver issues the Japanese denied the necessity of third power consultation. Both America and France had protested against this attitude.<sup>119</sup> Japan declared that they would discuss this matter with other interested powers once agreement had been reached with Great Britain.<sup>120</sup> Their intention being of course to use Britain's acquiescence as a bargaining lever.

113. Sir R. Craigie *op.cit.* p.76 and B.D.Vol.IX Nos.403,406 and 413.

114. B.D.Vol IX No.417.

115. ibid.No.460.

116. ibid.No.387.

117. ibid.No.433.

118. ibid.Nos.456 and 468.

119. ibid.Nos.433,416,440 and 464.

120. ibid.No.326.

The solution of the Tientsin question was inseparable from the currency question.<sup>121</sup> Britain contended that the application of Japan's currency requests by Britain would be unneutral conduct. They emphasized the necessity of third power consultation and declared that the basis of the difficulties in North China was the federal reserve bank currency and not the fapi. The British ambassador in Tokyo believed he might be able to "induce the Japanese government to withdraw proposals for the prohibition of fapi," and thus wanted some satisfaction given to the Japanese on the silver question.<sup>122</sup> In any case he considered the British stand to be of doubtful legal value.<sup>123</sup> He considered it unlikely that the Japanese would leave the conference table empty-handed on both issues, and thus regarded the **only** alternative to agreement to be the use of force by the Japanese army.<sup>124</sup> On 15th August Craigie informed Halifax that Kato had threatened to break off the talks as "no acceptable compromise on the economic question is likely to be forthcoming."<sup>125</sup> The silver question was therefore "the crux of the whole matter."<sup>126</sup>

The Japanese wanted the British to hand the silver over to the provisional government and the district court. But as Britain denied the legality of both these bodies she could not authorise relinquishment of the stocks to either.<sup>127</sup> All she would say was that the stocks would not be used for purposes inimical to Japan - a proposal ~~which~~ the Japanese rejected. She also felt the greatest reluctance to compromise over the fapi and prohibit its use in the concession. In any case Britain did not recognize the competence of the Peking government to make possession of fapi an offence.<sup>128</sup> The foreign secretary doubted if Britain's security would be enhanced by such an agreement. In any case the fapi gave Britain a lever into Chinese trade without which she would have been driven out.

121. ibid.No.442.

122. ibid.

123. ibid.No.520.

124. ibid.Nos.442,527.

125. ibid.No.533.

126. ibid.No.442.

127. ibid.No.531.

128. ibid.No.485.

Craigies pleas for compromise were not completely accepted by the British foreign office. Unlike Craigie they believed that the best way to help the moderates in Japan was not to make concessions, but to show them that the forces now dominant in Japan were not invincible: In other words by a firm attitude. , As the foreign office pointed out on more than one occasion there was no guarantee that if Britain did not exert political and economic pressure Japan would "be more moderate or less offensive than if we take measures against them. Is there ... any ground for assuming that if we take only gentle measures they will correspondingly diminish their pressure?"<sup>129</sup> Conversely Japan was vulnerable to economic pressure and was unlikely to risk war. Britain, however, had to be careful also to do nothing which would drive her into conflict with Japan, in view of the political strains in Europe in the late summer of 1939. But most indications appeared to show that Japan would stop short of action likely to irreparably embroil her with Britain. She had for example backed down over the Hai<sup>130</sup> ships and the Circala and Robin incidents.<sup>131</sup> Her threat therefore to throw in her lot with the Axis was to some extent bluff.<sup>132</sup>

The strength of the British attitude naturally depended upon the Americans. Halifax continued to hope for a United States note on both fapi and silver issues. This would have enabled Britain to refuse to agree because of third power interests, or if forced to sign, claim "force majeure".<sup>133</sup> The United States refused, however, to go any further than tell the Japanese in early August that they would not recognize the validity of a unilateral agreement.<sup>134</sup>

Whatever the degree of American support however the British government were alive to the fact "that, no satisfactory solution can be found that does not recognize some 'new order' in Eastern Asia

129. ibid. No. 508 and ibid. Memorandum on Brit. Foreign Policy in the Far East. Appendix I.

130. B.D. Vol. VIII No. 108 (note 4)

131. ibid. Nos. 185, 191 and 192.

132. B.D. Vol. IX Nos. 476 and 495.

133. ibid. No. 487.

134. ibid. No. 511.

in which Japan plays a dominant part,"<sup>135</sup> and in her note of 14th January had admitted that treaty rights were not eternal. Within this framework British policy was a desire to avoid a breakdown of the talks and a "recognition that there is a point beyond which we cannot go -- by reason of our obligations towards third powers or to China," and the necessity of checking anti-British agitation.<sup>136</sup>

Japan had no wish to break negotiations but wanted to force Britain to concede to her wishes over the currency and silver questions to mollify the army. Britain likewise had no wish to break off negotiations. But they had no intention of compromising over the currency. This is the clue to Halifax's decision of 17th August to discontinue the talks failing agreement over the currency and silver issues.<sup>137</sup> It was obvious to the British government that the negotiations were not likely to be successful unless they made a concession of principle which they were unwilling to do. It was Halifax's view that the dangers of retaliatory action by Japan were far outweighed by the loss of prestige especially in America if Britain compromised. It was not moreover thought in British circles that Japan was ready for a full-scale war and that the army would be checked by the influence of financial and naval circles. Moreover Japan would be wary of provoking America so shortly after their treaty denunciation. At the same time Japan was engaged in a full-scale border skirmish with Russia at Nomonhan, and was anxious lest the Anglo-Russian conversations should lead to a treaty directed not only at Europe but also the East. (Russian military strength in the Far East had been increasing for some time) In fact Britain did not want a military or eastern alliance with Russia. These considerations made Halifax conclude that the risks of war were less than at any other time.

135. ibid. Memo. on Brit. For. Policy in Far East. App. I.

136. ibid. No. 508 and No. 513.

137. ibid. No. 537.

(it is interesting to note the silence of the British Documents between 11th and 17th August on this subject)

The British "declared their intention of discussing these matters with the other interested powers before proceeding further in the matter."<sup>138</sup> Agreement would have meant recognition of the puppet Chinese, a denial of the nationalist government's claim to the silver, none of which Britain could agree to. Neutralization of the silver, proposed by the French as an alternative solution was not considered practical as Japan would never agree if Britain proposed it alone, and American co-operation was unlikely. As Halifax said if America wanted to co-operate they would already have done so, and Britain must not appear to be trying to reinterest them in a problem in which they have already declined interest.<sup>139</sup>

On 17th August Halifax informed Craigie that the British government intended to publish a statement giving reasons for the collapse of the Tokyo talks.<sup>140</sup> Craigie informed the Japanese on the following day. The Japanese still however refused to come to any separate agreement over police questions independently of the economic question. But they did not want Britain to publicize her policy over the silver question as it would worsen the situation.<sup>141</sup>

The British foreign secretary stuck to his decision so that America should be left in no doubt about Britain's reasons, and also to show that "the responsibility for the continuation of the negotiations now rests with the Japanese government.

In reply to a Japanese request as to how long third power consultation would take, Britain declared that the intention of their decision "was not to secure more time for us to consult other powers. It was to inform the Japanese government that no discussions of the economic issues raised are likely to lead to a useful result if pursued on a purely Anglo-Japanese basis and ... /Japan's/ failure to implement the /police/ agreement now within reach must inevitably

138. Sir.R.Craigie op.cit. p.76 and B.D.Vol IX No.535.

139. ibid.No.541.

140. ibid.No.540.

141. ibid.Nos. 545 and 546.

give rise to the impression that they were merely a pretext for the introduction of far wider issues."<sup>142</sup> Britain remained, a foreign office memorandum of 21st August declared, perfectly willing to negotiate a local settlement, but was not prepared to let this reverse her decision of 17th August or let it imply that Britain would change her general policy. On 20th August the Tokyo talks adjourned sine die and the British government publicized the stand it had taken on 21st August.<sup>143</sup> It described the history of the talks; the agreement over police questions, and their collapse on the currency and silver issues. The reasons for discontinuation were given as the repercussions on third power interests, intimidation by Japan, and the introduction of wider issues.

## F

THE NAZI-SOVIET NON-AGGRESSION PACT OF 23rd AUGUST

The Nazi-Soviet non-aggression pact of 23rd August, which freed Russia for action in the east, completely changed the complexion of affairs throughout the world, and not least in the Far East. If British policy received a setback the same was true of Japanese policy. First had come the American denunciation of the commercial treaty, forcing her to reassess her policies: Meanwhile the incident at Nomonhan had been continuing with the Union of Soviet Socialist Republics; the fishing dispute and the trouble over oil and coal concessions in Sakhalin: Next British talks with the Union of Soviet Socialist Republics: and then the breakdown of Anglo-Japanese talks. Alarmed the moderates had listened to the advocates of the German alliance. Consequently the final blow had been in the Nazi-Soviet pact which turned everything upside down.<sup>144</sup>

The British government had been aware that negotiations were in progress between Berlin and Moscow at the same time as the

142. ibid.No.556.

143. ibid.Nos.549 and 568 and The Times 21st August 1939.

144. ibid.No.606.

Anglo-Russian conversations. The Japanese also knew but discounted the idea of a military alliance. The pact removed any possibility of Japanese retaliation over the cessation of talks and the publication of the British reasons, and also destroyed for the present the danger of a Japanese-German military alliance.

The British ambassador in Tokyo wanted to make use of this new circumstance to detach Japan from Germany and facilitate compromise.<sup>145</sup> The foreign office were in agreement that Britain should avail herself of the present opportunities, on the basis of agreement with the silver sealing and cessation of the blockade. They also were prepared to use the federal reserve bank currency within the concession if the Japanese dropped their fapi proposals.<sup>146</sup> Speed of course was essential as the British government feared that Germany was working for rapprochement between Japan and Union of Soviet Socialist Republics which might eventuate in a Russian offer to Japan of a non-aggression pact.

While they agreed that any peace settlement must take into account the Japanese position in North China the British felt that they could not officially propose a deal over North China, as Craigie had suggested on 25th August, in view of world opinion. They were however prepared to consider a continuation of the Eden-Yoshida talks of 1937 for a world wide Anglo-Japanese economic arrangement.<sup>147</sup>

But the Japanese on 26th August requested that the question of silver sealing be shelved for the present in view of their own cabinet crisis.<sup>148</sup> The Japanese ambassador in London and the Japanese in Tokyo also declared that Japan would never enter into collective discussions concerning the future of China.<sup>149</sup> Meanwhile a British feeler to the United States of America to discover their

145. ibid.No.613.

146. ibid.No.599.

147. ibid.Nos.574,584 and 599.

148. ibid.No.591.

149. ibid.590 and R.I.I.A.Docs.1939-46 i pp.558-9 and The Times 21st August 1939.

attitude to the use of the federal reserve bank currency notes in the concession, and to compromise over the economic issues at stake in China, met with a rebuttal on 1st September.<sup>150</sup> America considered that the only way to prevent Japanese domination was by military defeat and if Britain "imagined that by reaching an agreement with the Japanese over Tientsin we were going to placate them and help the moderates to overcome the extremists we were mistaken." In Horneck's opinion there was "nothing to be gained by offering sops and by signing agreements with Japan." He was not therefore in favour, either with the silver sealing, or in the use of Japanese controlled currency.<sup>151</sup> In fact the currency and silver question lapsed for the time being as well as the immediate danger of Anglo-Japanese conflict because of the Nazi-Soviet pact and the fall of the Hiranuma cabinet.

## G

### WAR IN EUROPE: BRITAIN'S POSITION IN CHINA.

While these discussions were in progress war in Europe broke out. The Japanese remained neutral as the British government had hoped.<sup>152</sup> But the root cause of the trouble remained. Moreover Britain remained alone at Tientsin. America was strictly neutral, and France had settled the police and their other difficulties relating to the French concession locally at Tientsin.<sup>153</sup>

In view of the breakdown of the talks and outbreak of war, Britain had to consider her future policy. She could denounce the Anglo-Japanese trade treaty of 1911 and impose economic reprisals. Infact she did consult the Dominions with this in mind, but refused to make a public statement on these negotiations. The British government believed that denunciation and evacuation of the concession

150. ibid. Nos. 599 and 611 and Enclosure.

151. ibid. No. 611.

152. ibid. App. I.

153. Sir. R. Craigie op.cit. p. 77.

would interest the Americans who might believe that Britain was "clearing the decks for action." They considered that such a policy was better "than a policy of co-operation, however limited, in the Japanese exploitation of China on its present lines."<sup>154</sup> If Japan found that threats produced results they would intensify them, and Britain would alienate America by her surrender. At the same time however Britain, while pursuing a firmer attitude might open up British colonial markets to Japan. This would have removed Japan's criticism of world economic blocs, and also destroy the basis for Japan's policy in China.<sup>155</sup> The deciding factor was however that action such as this might very well lead to war. Mutterings about sanctions and abrogation of treaties would only strengthen the Japanese belief as to the necessity of their own economic bloc in East Asia.

The Japanese government realized that she could use her non-involvement in the European theatre as a bargaining counter to winkle the west out of China. On 3rd September Japan advised the troops of all belligerents to leave China. As Germany did not possess any troops there this "friendly advice" was meant for Britain and France.<sup>156</sup>

Britain turned to America for support in view of the danger of war or a Russian-Japanese pact. The American administration, still prevented by isolationist sentiment from aligning with the Democracies firmly in the Far East, informed Britain on 7th September that they had told the Japanese ambassador that Japan was trying to force the western powers out of China.<sup>157</sup> Hull advised that the British return no reply to Japan, this being his favourite policy of 'keeping them guessing'.

Such action had obvious disadvantages for Britain and she

154. B.D.Vol IX No.568.

155. ibid.

156. ibid.No.618 and The Times 7th September.

157. Hull op.cit. pp.719-20 and 723-4.

therefore told the United States on 19th September that unless she obtained United States support she would withdraw her garrison from Tientsin. America would give no such assurances. Britain, therefore, decided to give way to the Japanese demands. On 3rd October they announced that five of the British gun boats on the Yangtse would be withdrawn, officially stating that they could be used elsewhere.<sup>158</sup> She informed America on 24th that most of the British forces would be withdrawn from Peking and Tientsin, though not from Shanghai. "Hull declined to comment upon this action of which he clearly disapproved."<sup>159</sup> In November the British and French governments announced that, save for token forces to preserve their rights under the Boxer protocol, they were evacuating their forces from North China.<sup>160</sup> In reply to an American request that aid be still given to China, Lord Lothian the British ambassador in Washington replied that the Burma road would be kept open.<sup>161</sup>

The British government realised that a compromise solution was necessary to salvage British interests in North China before German influence regained its prestige in China, and while Japan was impressed with British command of the sea.<sup>162</sup> During November and December 1939 therefore the British and French governments approached the United States of America again with suggestions for a compromise in the Far East. But Hull would still not consider such a policy. Neither would he sign a new trade treaty with Japan despite Nomura's conciliatory approaches, caused by Japanese apprehension when thirty-one United States warships sailed from San Diego to Pearl Harbour in October 1939.<sup>163</sup> On 7th March, 1940 America granted ChungKing a further credit.

America however was not involved in war. Britain could take no such action because she feared a simultaneous onslaught in the

158. The Times 3rd October 1939.

159. F.C. Jones op.cit. p.154.

160. The Times 13th and 14th November 1939.

161. Hull op.cit. p.722.

162. Grew op.cit. pp.262-3.

163. Hull op.cit. pp.725-8 and Sir R. Craigie op.cit. p.101.

East as well as the West. Fortunately the Yonai cabinet continued Nomura's policy of pacifying advocates of an alliance with Germany. Thus the crisis over the Asama Maru affair in January 1940 was settled peaceably.<sup>164</sup> The dispute arising, however from Tientsin and the blockades remained. Britain attempted to conciliate the Japanese, at the same time refusing to recognize Wang Ching-Wei's regime in China on 4th April. Indeed had affairs continued as they had been during the 'phony war' Anglo-Japanese conciliation might have been possible for Japan feared a full Union of Soviet Socialist Republics-German alliance as much as Britain. But Hitler's attack on the Low Countries brought the menace of the pro-German elements to the fore again, and agreement thus became even more important for Britain.

On 19th June 1940 the British government announced that agreement had been reached in Tokyo on the issues concerning the silver, currency and police, affecting the British concession of Tientsin. "One tenth of the silver was to be sold and the proceeds devoted to the relief of the distressed among the Chinese population caused by the floods in the Tientsin area in 1939. The remainder was to be left in the vaults of the Chinese bank of Communications in the British concession under the consular seal of the parties concerned, pending a decision as to its ultimate disposal. The circulation of fapi (Chinese nationalist notes) in the British concession was to continue, but stringent measures were to be taken to prevent its misuse for purposes of gambling or smuggling. Federal reserve bank notes were to continue to circulate side by side with the fapi. The police arrangements provided for closer co-operation between the British municipal authorities and the local Japanese authorities in cases against persons in whose criminal activities the latter were interested. It was emphasized that in such cases

164. Sir R. Craigie op.cit. pp.82-84 and F.C. Jones op.cit. and Saionji Harada Memoirs : of W.N. Medlicott - The Economic Blockade Vol. I pp.403-11 for Anglo-Japanese talks during March-June 1940 on the prevention of war materials reaching Germany.

the necessary action would always be taken by the municipal police and that the administrative integrity of the British concession was fully preserved."

"The British government said that they had consulted the Chinese government 'at all the material stages' of the negotiations over the silver question. They had, they declared, obtained the assent of the Chinese government to that part of the Tientsin agreement relating to the disposition of the silver. But the Chinese government protested to Britain concerning the currency and police arrangements.

In consequence of this agreement the Japanese army ended its long-continued blockade of the British municipal area, and the Japanese authorities in North China undertook 'to do everything in their power to suppress anti-British action or agitation in regions under their control.'<sup>165</sup> The British ambassador in Tokyo considered that Britain "finally gained our objective without sacrificing any fundamental principle; any British right, or any vital Chinese interest." He added also that force was out of the question in view of the dispositions of British forces awaiting Germany's bid for world domination.<sup>166</sup>

Having gained a certain measure of success at Tientsin the Japanese turned their attention on British material help to China. On 24th June they demanded that the British government prevent the supply of war materials to China by way of the Burma road and Hong Kong, and massed troops along the Hong Kong border.<sup>167</sup>

In view of the fall of France, and her naval struggle in the Mediterranean and home waters, Britain was compelled to reassess her policy of endeavouring to reach agreement on local issues such as Tientsin - but of standing with the United States of America, in rejecting Japan's new order in China. On 27th June 1940 Lord

165. F.C. Jones *op.cit.* p.164.

166. Sir.R.Craigie *op.cit.* p.78.

167. The Times 25th and 27th June 1940.

Lothian told the United States that there were two alternatives as Britain could not face aggression on two fronts. America could "increase pressure on Japan either by imposing a full embargo on exports to Japan, or by sending warships to Singapore"<sup>168</sup> which Britain would make available to her. The second alternative was for Britain and America to join in making proposals for a Far Eastern peace settlement. Britain suggested that terms should include respect for Western interests in the East, Chinese independence and Japanese neutrality in the European war. If Japan were to concede these points Britain and America would offer her economic assistance. The future of extra-territoriality was to be left until after the restoration of peace in Europe and Asia.<sup>169</sup>

But the United States refused to send their fleet to Singapore as it would leave America unprotected, and informed Britain of the Grew /Nomura/ conversations which had collapsed on the French defeat. Hull declared himself unwilling to make concessions at the expense of the third powers as America had nothing tangible to offer Japan in the Far East. American policy was to make no sweeping concessions to Japan, nor to take action which might provoke her to war.<sup>170</sup>

This was in fact a rejection of both British suggestions, and America was asking Britain to take a great risk which was to stand firm on the assumption that the Japanese were only bluffing when they threatened war. Britain unfortunately had to face the possibility of the Japanese falling upon them in the East without incurring American intervention controlled as it would be by isolationist temper.

Nevertheless the British did not give way immediately to Japanese demands. But on 8th July the Japanese refused a reply

168. Hull op.cit. pp.896-7.

169. ibid.

170. ibid. pp.897-9.

concerning the Burma road and demanded a reconsideration. Meanwhile the Japanese Press was full of war threats. Forced by this Britain gave way, and told America that the Burma road would either be closed for three months to any larger freight than had passed over it in the previous year; or be stopped to the transit of war materials completely, and the interval used to try and settle the Sino-Japanese conflict. Hull expressed his "regret and disappointment" at any such course.<sup>171</sup>

On 14th July Chamberlain announced in Parliament that an agreement had been reached over the Burma road closing it for three months to all war materials.<sup>172</sup> This provoked a statement from America on 16th in which they declared their interest in trade routes generally,<sup>173</sup> and from Chiang Kai-Shek on 17th.<sup>174</sup>

In fact, however, the effect of the agreement was slight as the closure of the road coincided with the rainy season in Burma and Yunnan during which traffic was naturally reduced anyway.<sup>175</sup> For Britain the chief value of the agreement was that it weathered another dangerous Anglo-Japanese crisis. Although Japan, and her navy in particular, was not ready for war it could have followed from a British rejection of the Japanese demands either by a military coup in Japan or action by the army in China.<sup>176</sup> As it was Britain was allowed valuable breathing space. During these crucial three months the Battle of Britain was fought which proved to many Japanese that Hitler was not invincible. "Further, this precious time was bought at the price of relatively minor concessions to Japan thanks in part to the continuance of internal strife over domestic and foreign issues in Tokyo."<sup>177</sup>

In mid-October on the expiration of the agreement, the British government refused to renew it and traffic flowed along

171. ibid. p.900.

172. 363 HC Deb.5s pp.399-400.

173. Hull op.cit. p.901.

174. China Association Annual Report 1940-1 p.5.

175. F.C.Jones op.cit. pp.168-171.

176. Sir.R.Craigie op.cit. p.88.

177. F.C.Jones op.cit. pp.170-1.

the Burma road again. Japan did not raise the question to the issue of a crisis again as the army leaders believed they could close the road themselves by bombing from North Indo-China.<sup>178</sup>

178. Sir.R.Craigie op.cit. pp.88-9.

CONCLUSION.

During the 1930s Britain was on the defensive against attacks on the structure of the peace treaties of 1919. These attacks increased as the prospect of collective security diminished. By 1937 the League was discredited through its impotence over Manchuria, the Rhineland, Spain, and Abyssinia. Each power had independently to defend its own interests. The inability of British leadership in the 30s to see the dangers of appeasement and the Anglo-German naval treaty of 1935 rendered Britain virtually incapable of defending her own interests. Unfortunately for Britain Japan chose these years to systematically attack British interests in the Far East.

Any prospect of a counter-attack/<sup>or</sup> of giving direct aid of a military nature to China - or stepping up British military and naval power in the East was out of the question. This was not only because Britain did not have the power to do it, but because she could not rely for support from America, and because of the threat of Hitlerite Germany. This latter danger increased rather than diminished. Thus although British armament output increased and her naval preparedness increased it had to contend with two fronts not one. The War Office considered that their duty lay in Europe. and refused to consider channelling off the fleet to protect British eastern interests. British diplomacy was therefore geared to complete inability to back their words by any kind of force.

Consequently British policy in the east did not change very much between the years 1937 and 1939. This is always the case when a power is on the defensive. Britain had to save as many of her interests as possible (not only economic but interests such as prestige) and keep out of entanglements and war. Besides these twin desires league commitments dwindled to insignificance.

Any expedients were used and the policy of Chamberlain and Halifax towards the China incident in reality differed little from Eden's. All these sought American support. Failing to achieve it rendered any definite policy unthinkable.

The characters of the personnel involved in British policy during these years was less than the situation in which they found themselves. They were not asked to formulate definite policies, rather to negotiate continually in the knowledge that a conclusion was a remote possibility until British armaments and American opinion became more favourable. It was hardly their fault but the fault of those who had gone before them. British policy in the East depended on the results of British policy in Europe. It was the appeasement of the 1930s and particularly of Chamberlain which rendered Britain inactive in the east.

Chamberlain and Halifax, in receipt of the entirely divergent views of the British embassies in China and Japan steered a middle course between two impossible alternatives. Each situation had to be judged according to its merits. Hence the question of the four men was different from the situation in Shanghai; the currency question dissimilar from the Customs question. Clarke-Kerr in China saw the only way to stop Japanese attacks on British interests as a firm attitude and support of Chiang Kai Shek. Craigie however saw the situation differently. Believing that the danger of a pro-Axis alliance was a perpetual possibility he counselled moderation and compromise. Both ambassadors were to an extraordinary degree pro the country in which they held their post. This was an unusual situation but which was paralleled on the Japanese side by Oshima and Ott in Berlin (one must of course not forget Neville Henderson in this respect). Their judgements consequently suffered as a result. Chamberlain and Halifax could see both sides from a European and international context but could favour neither ambassador.

Apart from wanting to save her interests in the east the British government was also anxious to prevent any coalition of the totalitarian states against her. During 1938-39 this became more urgent as the danger of European war drifted closer and Britain became more than ever preoccupied with Europe. The question became one of preventing Japan aligning herself with Germany and involving Britain in a war on two fronts. Britain saved many of her interests in China for so long because Japan did not enter the European war. The reason for this was Japanese fear of America and Russia and the Japanese distaste for European entanglements.

America was interested in preserving the stability of the east and viewed Japan's ambitions with distrust. The isolationist temper of her people however prevented the administration from voicing the disapproval too openly, and from taking joint action with Britain. Nevertheless Japan was aware that she must not too openly attack the open door policy in China or destroy all western interests because she valued American friendship. Her attempts to drive a wedge between the United States of America and Great Britain however ended in failure. Simply by her inaction America brought a measure of relief to Britain for example at the international settlement of Shanghai. Japan had to be careful in her attacks on British interests to avoid annoying America.

Japan's interest were purely eastern. She had no interest in Europe except in that British involvement in Europe would prevent her from resisting Japanese ambitions in China. This is what, in fact happened. Japan was able to benefit from Britain's European embarrassments both before and after the war. She found she could gain as much by keeping out of European affairs as by entering them. Her decision was hardened by fear of America and Russia and cemented by the abrogation of the United States-Japanese trade treaty and the Nazi-Soviet Non-Aggression pact. It was extremely lucky for

Britain that Japan's avowed policy was to keep out of Europe, and that Anglo-American relations on a government level were cordial; The latter is in no small measure due to Eden's diplomacy. Had this not been the situation little could have prevented Japanese seizure of British eastern interests.

As it was Chamberlain and Halifax were able to grasp at these straws and draw a precarious support from them. Joint action being out of the question they strove whenever possible to concert parallel action with America and avoid individual stands. It was a policy of expedients, conciliation and tactical withdrawals. But it gave the British government time to prepare for the next attack. One might say that Chamberlain's policy of appeasement was right for the wrong reasons. Britain could afford to take not decisive action. Such action as there was came from Japan. Great Britain rather reacted to the actions of others than acted herself.

It is easy to blame Chamberlain and Halifax for constantly drawing back, Eden certainly does so, and on certain occasions in early stages of the China incident Chamberlain was at fault for not following up American initiatives. But this criticism fails to realize that Britain could not afford to take action unless secure in American support. If American friendship enabled Britain to take a stiffer attitude in the east than in Europe and prevented Japan from attacking British interests it is also true that fear of American reaction if she compromised made it impossible to be too conciliatory. Britain was hence in a cleft stick and refused to be drawn into the struggle but continued to hold the key to British action.

There was no other way out for Britain but of constant negotiation with Japan on the principle that words prevented action. By skilful diplomacy the British government managed to draw the Japanese into negotiations first locally at Tientsin and then at

Tokyo and by doing this managed to localize the dispute. At the same time they avoided threats and responsibilities, rearmed and kept Anglo-American relations on a cordial basis.

Increasingly as 1939 progress<sup>ed</sup>/the two unpalatable alternatives were forced on the British government. While they could not afford not to take note of Japan's complaints neither could they sacrifice China because of repercussions on world opinion. Britain eventually decided to make a stand by their treaty rights and broke off the negotiations in Tokyo. The reasons for the stand are complex. There was little doubt that the way negotiations were going Britain would have been forced into a sacrifice of principle. The loss of world opinion consequent upon the desertion of China meant more than the temporary respite which would have been gained by a compromise. At a time when the powers were aligning for war Britain could not afford to lose allies by deserting China. Fortuitously Japanese reactions, which could well have been of considerable danger were swamped by the Nazi-Soviet Non-Aggression Pact, and Britain's only decisive action brought no loss. Indeed it probably helped the British cause in America and the dominions.

Japan did not enter the war in Europe in 1939 but this must not be solely attributed to the success of British diplomacy. Japan's pre-occupation with the east, her fear of America and Russian prevented her from making an all out attack on British eastern interests, even if she had been ready for a full-scale war which she was not. In any case she realized she could gain as much by staying out of the war. Moreover, if she was apprehensive of the Anglo-Russian talks she had much more to fear from the German-Russian entente.

The British foreign secretary, the two ambassadors in China and Japan did the best they could. They dealt with each situation as

it arose, kept out of trouble and rearmed. At the same time they attained the achievement of marshalling world opinion behind them not only in Europe but also in the far east. Carefully they laid the burden of re-negotiating on the Japanese, as they were able to lay the blame on Hitler for disturbing European peace after Munich. Altogether a remarkable balancing act signalized British policy between the years 1937-1939.

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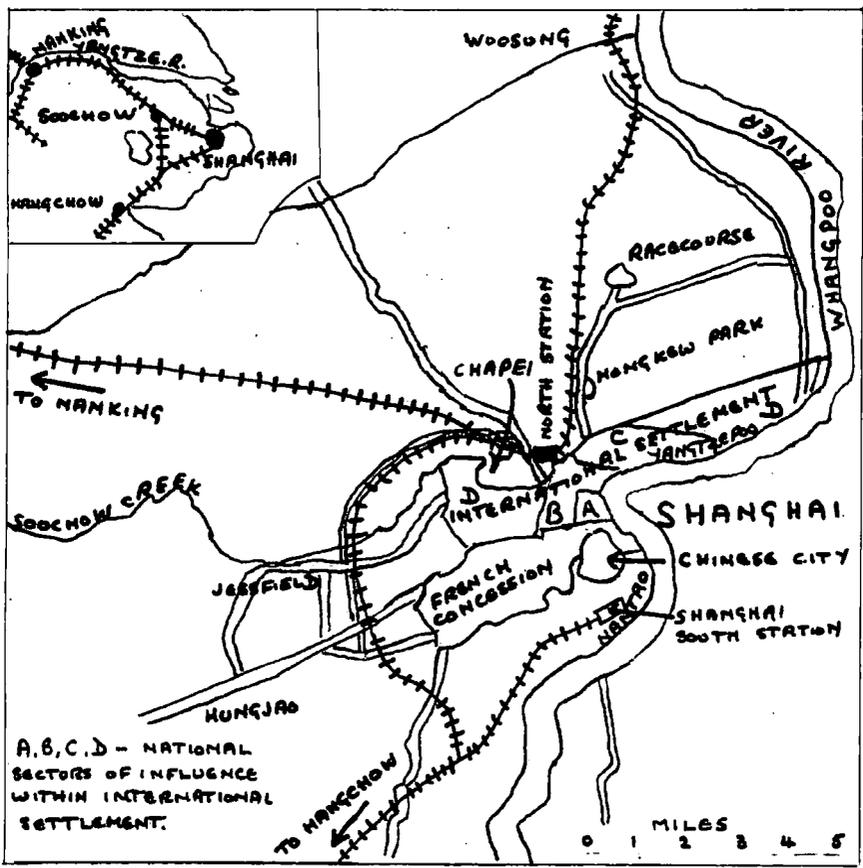
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# SHANGHAI AND ITS SURROUNDINGS



# PLAN OF TIENTSIN SHOWING CONCESSION AREAS

