

1. My immediately following telegram repeats a telegram from His Majesty's Ambassador at Washington containing account of detailed steps which United States authorities propose to take in the event of Japanese move to the south. Before this information had been received we had considered our general policy in the light of earlier report summarized in telegram under reference.

2. We were advised that freezing of Japanese assets, if rigidly applied, would be likely to result in stoppage of all current trade between the United States and Japan, and report contained in my immediately following telegram shows that the United States authorities are themselves prepared for this. Position may thus arise under which Japanese would be confronted with choice between alternatives of reversing their pro-Axis policy, or of proceeding with their southward move, if necessary to the point of war with the Netherlands East Indies and ourselves in an endeavour to obtain control of sources of raw materials. The question therefore which we are called upon to consider is whether we are prepared to act with the United States if they desire to take such drastic action, and if not, whether we should attempt to restrain them.

3. Our policy has hitherto been to do everything possible to avoid war with Japan in the absence of a formal guarantee by the United States that they will support us if attacked. At the same time the danger inherent in our lagging behind the United States in dealing with Japan, and thus weakening ties between us and them, is very real. The issue with Japan must be faced sooner or later, and the question is whether we should join with the United States in forcing the issue now over Indo-China, or whether we should try to dissuade the United States from forcing issue until Japan makes a further move, e.g., in Thailand or against Russia. We do not, however, know whether the United States would be prepared to go so far in economic action in the last two eventualities; indeed we have indications that in the former case they would not.

4. Weighing these considerations, the conclusions we have reached are:

- (1) That we must on no account discourage action which the United States may wish to take in putting pressure on Japan, and must as far as possible match our action with theirs;
- (2) That we must in paramount interest of co-operation with the United States be prepared to follow a United States lead in forcing issue with Japan over Indo-Chinese bases;
- (3) That if we are called upon to go to lengths which involve plain risk of war with Japan, every effort should be made to obtain the clearest possible indication from the United States that we can count, without reservation, on their active armed support.

5. We hope these conclusions will commend themselves to His Majesty's Governments in the Dominions. In view of expected imminent Japanese move south, we are most anxious to make our views known to the United States