

4. They also consider the army in Manchuria does not look strong enough for major effort, and it is more disposed for defence than offence.

5. Navy Department has picked on July 20th as being the probable date of Japanese movement. Ends.

1295.

Skelton Papers, PAC

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM CIRCULAR M.140

London, July 9, 1941

MOST SECRET. Following for your Prime Minister. Begins. My telegram Circular M.136. We have now considered what action should be taken in the event of further move south by Japan. We have decided to recommend two measures accordingly:

- (1) Restrictions on Japanese shipping facilities in Malaya.
- (2) Possible denunciation of Commercial Treaty.

2. We will telegraph separately in the near future in regard to (2). As regards (1) Commanders-in-Chief of the Far East and China have represented that we run risk of Trojan horse activities by allowing Japanese to load iron ore etc. off the Malayan coast by night. Commanders-in-Chief have accordingly advised that from sunset to sunrise all tugs and lighters should be required to lie inside the harbour mouths on the east coast of Malaya, and also on the west coast of Johore, and in addition that no vessel over 1,000 tons should be allowed to arrive at anchorage off these coasts between sunset and sunrise.

3. We have hesitated hitherto to enforce measures of this kind since, though outwardly non-discriminatory, they will entail heavy loss and delay to Japanese mining companies. Governor of the Straits Settlements has however, now been authorized to bring the measure into force immediately in consultation with the Commanders-in-Chief of the Far East and China if and when Japanese move towards Indo-China materializes.

4. Measure is likely to reduce Japanese imports from this source by 50 per cent i.e. to about 1,000,000 tons of ore per annum, involving a loss to Japan of equivalent of 500,000 tons of finished steel. This reduction will only represent about 5 per cent of total of finished iron and steel output of Japan in 1939, but coming on top of restrictions already placed on exports from Empire sources of scrap iron, pig iron and iron ore (as well as similar restrictions in force or proposed in the United States) it may have serious effects on Japanese industry. Ends.