

purposes (e.g. closing of the port of Tawau); (e) gradual reduction of Allied merchant tonnage serving Japan and its employment instead in Allied interests.

4. To achieve (b) and (c) a system of rationing based on Japan's average imports in previous years should normally be sufficient. Complete prohibition of export of any particular commodity to Japan, except where necessary under (a), should in present circumstances be avoided.

5. For any such system to be effective the closest possible collaboration is necessary between the countries of the Empire exporting to Japan. The collaboration of the U.S. (including the Philippine Islands) and of the N.E.I. [Netherlands East Indies] will also of course be essential but it is suggested that this is more likely to be forthcoming once agreement, at least on the principles governing our action, has been reached within the Empire. At a subsequent stage it would be desirable also to obtain the collaboration of Central and South American countries.

6. If we are to avoid playing into the hands of Japanese extremists it is important that the British and Allied representatives in Tokyo should always be in a position to show that this or that restriction on exports or imports is not discriminatory against Japan and is imposed to achieve one or other of the purposes mentioned in paragraph 3 above (with the exception of (c) which must of course remain confidential). Above all they should be able to make it clear that, provided Japan does not go further in her policy of southward expansion or in seeking a privileged position in Eastern Asia, there is no intention of interfering with available food supplies and raw materials for internal consumption in Japan or for the supply of Japan's normal peace-time industry.

(B) *Reprisals*

Once such a system of full collaboration has been established between the countries of the Empire and, if possible, with the U.S. and the N.E.I., we should be in a better position for imposing economic reprisals in the event of any Japanese move calling for such counter-action. A slight turn of the screw would in such circumstances be far more effective—and indeed less irritating—than even a drastic step taken by one member of the Commonwealth in isolation. We should then proceed from the position outlined under (A) above to a policy of frank discrimination against Japan in reprisal for some specific Japanese act of discrimination or hostility against us.

8. Japanese realisation that such machinery had been perfected, combined with the knowledge that we were at present using our powers with discretion and moderation, would in itself constitute one of the best deterrents against unwise or hasty action by Japan in South-Eastern Asia.