War Cabinet.

27th July, 1940.

Far Eastern Policy.

Report by the Chiefs of Staff.

We are now preparing an Appreciation of the situation in the Far East in the event of possible Japanese aggression. This appreciation is urgently required as a military background against which to view out policy vis-à-vis Japan. Both Australia and New Zealand are anxious to obtain it since it contains the answers to several questions on defence policy which they have asked us. Moreover the Government of Australia has indicated that it is in the light of this appreciation that the decision will be taken as to whether they can spare an additional division for Malaya. The early completion of this appreciation is therefore clearly of urgent importance.

In the course of our consideration of the problem, however, a fundamental difference of opinion has arisen on a question which has far-reaching political as well as military repercussions.

2. We are all agreed that, committed as we are in Europe and the Middle East, we must do everything short of sacrificing our vital interests to avoid an open clash with Japan. We have already advised, for example, that we should make considerable concessions to Japan, including the closing of the Burma Road, as part of a general settlement. We are also agreed that in present conditions and with our existing resources we cannot afford to regard a Japanese occupation of Indo-China or Thailand as a casus belli. Any direct Japanese attack on British territory must of course involve us in hostilities but we are agreed in doubting whether the Japanese themselves are likely to make such an attack in the near future, since we think they must be anxious to avoid war with the British Empire if they can gain their ends without it.

3. Our divergence of view primarily concerns the Netherlands East Indies.

If we could be certain that the U.S.A. would go to war with Japan in the event of a Japanese attack on the Netherlands East Indies, we are agreed that we should fight, irrespective of the attitude of the Dutch. In the absence of American cooperation, we are agreed that if the Dutch do not resist we should not fight, since we alone could not prevent a Japanese occupation of the Netherlands East Indies. We are, however, not agreed on the policy we should adopt if, in the absence of American cooperation, the Dutch decide to fight. On the one hand, the Chief of the Air Staff, the Chief of the Imperial General Staff and Major General Ismay, maintain that the integrity of these islands is a vital British interest for
the preservation of which we should give the Dutch all the support and encouragement we can, provided they fight. On the other hand, the First Sea Lord, while fully appreciating the strategical disadvantages of a Japanese occupation of the Netherlands East Indies, feels strongly that in present circumstances we should on no account involve ourselves in war with Japan as a result of Japanese aggression of this area.

4. The views of the First Sea Lord may be summarised briefly as follows:-

(a) There is nothing we can do to prevent a Japanese occupation of the Netherlands East Indies. We are in no position to offer military support to the Dutch in the Far East and we should not therefore undertake commitments which, in the event, we shall be unable to fulfil.

(b) A Japanese attack on the Netherlands East Indies need not lead to war between ourselves and Japan. On the contrary, the Japanese probably wish to avoid war with the British Empire and would hope that we would not regard such an attack as a casus belli.

(c) Our object is to defeat Germany. If we become involved in war with Japan, our ability to achieve this object will be very seriously prejudiced. In particular our sea communications in the Indian Ocean and the Far East would be subject to a heavy scale of attack. War with Japan may, of course, be forced upon us, in which case we shall have to take up the challenge, but it would be folly to add Japan to the list of our enemies in circumstances in which there is a good chance of avoiding doing so.

5. On the other hand, the remaining members of the Committee advance the following views:-

(a) The Dutch are our Allies, the Dutch Government is in London and Dutch naval and air forces are engaged with ours in defending British interests in Home Waters. In these circumstances, it would be, to say the least of it, difficult to refuse to assist them in the defence of their possessions in the East Indies.

(b) Failure to take any action in the event of Japanese aggression in the Netherlands East Indies would have a deplorable effect upon the Dominions, who would almost certainly conclude that we were pursuing an insular policy of paying attention to the security of the United Kingdom at the expense of that of the Empire. The dangers of this impression have already been pointed out by General Smuts, and the sympathies of the Union of South Africa are not likely to favour a policy of inaction towards the Dutch.
Australia and New Zealand would see themselves becoming virtually isolated from the rest of the Empire and the former would be most unlikely to agree to send reinforcements to Malaya. She might in fact even withdraw the squadrons she is now sending to Singapore.

If we failed to support the Dutch in the Far East, all chances of obtaining American support in this area would probably disappear.

The capture of the Netherlands East Indies would only be a first step towards the capture of Malaya and the elimination of British interests in the Far East. Although we might avoid war with Japan on this issue, hostilities would sooner or later be inevitable. We should then start at a serious disadvantage in a position which it would be extremely difficult to retrieve.

If the Japanese were to establish themselves in the Islands their naval forces would have free access to the Indian Ocean and would be able to bring a still heavier scale of attack to bear on our trade. The security of Singapore would be seriously weakened by the establishment of shore-based air forces within close range of the fortress and in the event of war with Japan, Malaya would be cut off from Australia.

The Dutch forces in the Netherlands East Indies are considerable, and the prospect of facing combined Anglo-Dutch opposition, together with the uncertainty of the attitude of the United States of America should provide a strong deterrent to Japan. In view of the interest which the United States of America as evidenced in the status quo of the Netherlands East Indies, Japan cannot disregard the possibility of American intervention against her.

Although the direct military support we could provide at present is small, we could exert economic pressure on the Japanese by the denial of markets and essential imports, a plan in which the United States of America might well agree to co-operate.

In view of the urgency with which this appreciation is required, not only by Service Departments but by Commanders in the Far East and by the Governments of the Dominions, we ask for an early decision as to what our policy is to be if Japan attacks the Netherlands East Indies and the Dutch East.

(Signed) C.L.M. NEWALL.
DUDLEY POUND.
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Cabinet War Room,
27th July, 1940.