United Kingdom Papers, No. 5.

# A BRITISH VIEW OF PACIFIC AFFAIRS IN 1936

*by*

SIR FREDERICK WHYTE, K.C.S.I.

*Prepared for the Sixth Conference of the Institute of Pacific Relations held at Yosemite, California, from August 15th to 29th, 1936.*

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# FOREWORD

AS part of the preparation for the discussions to take place at the Sixth Conference of the Institute of Pacific Relations on "the changing balance of political forces in the Pacific," the Royal Institute of International Affairs was asked to contribute a paper on British policy in relation to the present situation in the Pacific Area.

In considering the form which such a contribution should take, the Committee responsible at Chatham House reached the conclusion that, in the existing state of world affairs, it would be a misconceived attempt to try to distinguish, or define, a specifically "Far Eastern" policy on the part of a country whose interests and aims throughout the world as a whole have become so inseparably interdependent. It therefore appeared the more profitable method of approach to aim at producing a picture of British foreign policy as a whole and to see how the problems of the Pacific area, as seen through British spectacles, fit into place in this picture.

The phrase "changing balance of political forces," which has been used to sum up the subject matter of discussion at the forthcoming Conference, is a reminder that the political relations of the "Pacific" countries are passing through a period of transition, and it suggests recognition of the fact that the state of equilibrium which it was hoped to achieve at the Washington Conference of 1922 has, if it was ever established, now ceased to prevail. Any attempt to depict the international situation in the Pacific area must, therefore, in order to be realistic, involve a radical re-statement of problems.

A survey of this nature, when emanating from non-official quarters, must inevitably reflect a large element of personal opinion. In view of this fact, the Committee thought it well to entrust the authorship to an individual writer, who would assume the responsibility for whatever views were expressed, although assisted in his work by a small consultative group composed of members of Chatham House. On the invitation of the Committee, Sir Frederick Whyte accepted the task of preparing the memorandum. The author's qualifications for expressing an authoritative view on the affairs of the Pacific rest upon long residence in India and China and many years of close study of the political problems of that part of the world; his present memorandum follows upon the earlier analysis of British policy contained in the paper *China and Foreign Powers* which he prepared for the Conference of the Institute of Pacific Relations held at Honolulu in 1927.

IVISON S. MACADAM,
*Secretary.*

Chatham House,
St. James's Square, S.W. 1.
*9th June*, 1936.



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## INTRODUCTORY NOTE.

At the outset it is necessary to emphasize two things. The Pacific Ocean is not a separate entity whose concerns can be treated apart from other regions of the civilised world. By its contact with America and with the British Dominions, not to speak of Java and Indo-China, it is inseparably related to the West; and by the fact that Russian territory forms part of its shores, it is again linked with Europe through Moscow. Secondly, in any attempt to describe the national aims of Great Britain, prominence must be given to the widely-held conviction that what is "national" cannot be divorced from what is international, and that the British people are unable to conceive of British ideals or British interests except as a part of the greater whole, not only of the British Commonwealth, but of the entire world.

Both of these statements may seem to be mere truisms, and perhaps they are. But they are put down here to justify the appreciation of Pacific Affairs, now offered, in a framework of world-wide scope. If their pertinence is accepted, there need be no apology for asking the reader to approach the Far East from a point outside itself, and to take with him the yard-stick of general interests by which to measure its relation to the world as a whole.

### I. Bases of British Policy

British action in foreign affairs springs from two sources: one, realistic, material and national, which arises from the desire to preserve and to develop the economic and political assets of the nation in the home country and overseas; the other, idealistic, humanitarian and moral, which springs from deep roots in the temper and mind of Great Britain. The inner quality of each often appears to be incompatible with the other; and there have been times when British idealism and British realism were at war with each other in the very mind of Great Britain itself.

There is, also, another reason why British foreign policy is not an easily predictable thing, following an ordered and undeviating line. British interests are complex and world-wide. From comparatively simple beginnings they have grown out of her favoured island position, and their growth was fostered as much by the exploits of intrepid and insubordinate individuals as by the national policy of the Government—often more by the former than by the latter. In the beginning the political union of our own British Isles was achieved, followed



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by the dominance of the Narrow Seas, and the oft-renewed struggle to prevent any overwhelming power from establishing itself on the continental shores nearest to the English coast. And then the field of interest widens. Britain moves out of the Narrow Seas to fight Spain and France in the Atlantic and to found the American Colonies. From the Atlantic we enter the Mediterranean Sea, and so on to India and the further East, to the South Seas, with ships and coaling stations all over the globe, until it has come about that with the expansion of trade and commerce there is no continent in which we do not have substantial interests.

The maintenance and defence of these interests provides in each case a new motive of policy, and the essence of the problem lies in the very number and variety of the interests to be defended, the developments to be furthered, and the objects to be pursued. Just because the interests of Great Britain are world-wide, just because there is no continent in which she has not political responsibilities and fields of economic enterprise, she is more than any other country exposed to the danger of pursuing conflicting aims ; and for this reason objects, desirable in themselves, could not all be attained at the same time, for there sometimes had to be a sacrifice of material advantages and even a withdrawal from spheres where British authority had established itself.

*The Balance of Power*

At each stage in the growth of the British Empire, there had to be a stock-taking, to decide where lay the greater interests and where the lesser. Especially was this true after each major conflict in Europe. Great Britain fought Philip of Spain, Louis Quatorze, Napoleon and Imperial Germany in turn, in order to prevent their unchallenged hegemony of Europe. After each struggle she retired from Europe to pursue her enterprise overseas, except in the last case. And those who seek an explanation of the uncertain course of British foreign policy since the war will find it in the conflict of two motives in the national mind not dissimilar from the two factors of the British equation described above. The first is the historic feeling that Britain should not engage herself in the affairs of continental Europe except where the threat of a great naval and military power seems to endanger her own security ; the second is that, if Great Britain be not prepared to play her part in establishing peace on a foundation of law and justice, guaranteed by the collective will of the nations acting



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through some such instrument as the League, she will be driven to war of an increasingly destructive nature and never escape from the vicious circle of war, recovery, and war again. Both motives operate powerfully on British opinion to-day, though, on the whole, the belief in collective security is the stronger. It must be recognised that they will continue to struggle for control of British policy; and as long as this antinomy prevails, there will always be a disconcerting factor of uncertainty regarding what Britain will probably do in any crisis. At the present moment Great Britain, in common with other nations, is taking stock anew of the whole international situation, and is thus passing through a period of re-orientation which promises to be both prolonged and difficult.

*The Status Quo*

In the final analysis, however, the aim of British policy is to conserve, consolidate and develop a world-wide estate, and at the same time to sustain the political ideals which have created the British Commonwealth and which are coming to their severest test in the new Indian Constitution. For both purposes prolonged peace is needed; and, therefore, British action in every crisis aims at preventing war. Some observers interpret British policy as being designed, not merely to avert war because it must disturb the *status quo*, but also to preserve unchanged the *status quo* itself, whether it is challenged by war or not. This is not the true interpretation. The British people are not so blind to history as to suppose that the world which has grown with their growth will cease to grow, and in growing, to compel change. British policy is, therefore, not static, nor does it seek to stereotype the conditions of to-day in any permanent and unchanging form, no matter how favourable these conditions may, at any given moment, appear to be to British interests. There are many in Great Britain who realise that the present methods of controlling the assets of the world must be considerably changed if the internal economic pressure of certain countries is to be prevented from leading to disruptive explosions. This does not mean that British opinion accepts, without reserve, the fashionable division of the world into "Haves" and "Have-nots"; for the more closely the position of each Power is examined, the clearer it becomes that none of them is self-sufficient, and, whatever may be the apparent contrast between the "favoured" and the "unfavoured" nations, the economic problem mainly lies, not in the possession of assets,



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but in their accessibility and ease of exchange. In September 1935 the British Foreign Secretary showed that Great Britain is aware that a problem exists and he declared that for those who will consent to forswear the resort to violence a way of relief may be found. The British suggestion was confined to the raw materials of the world and their accessibility ; but that, as will be shown later in this statement, is only the beginning of the matter, a more penetrating exploration of which is perhaps the most urgent need of the moment.

Meanwhile, to complete this introduction to Pacific affairs we may repeat the obvious truism that peace is the essential condition ; and since the League of Nations, with all its imperfections, is the best available organ of peace, it follows that British sentiment seeks at all times and no matter what party is in power, to support the League and to increase its authority. Where Great Britain has neglected to do this the explanation is to be found either in the circumstances of the particular case, e.g. Manchuria, where the power of the League to act effectively was doubted, or in the influence exercised upon British official policy by that insular motive of freedom from commitment which, as we have seen, draws powerful support from the historic experience of the British people and is, therefore, no negligible factor in contemporary politics.

Now, though belief in the collective principle in international affairs is probably stronger in Great Britain than it ever was, and the hope that the collective system may survive its present crisis is widely cherished, the British people know that, in such a transitional period in world politics as we are now traversing, there may be reverses of fortune and the peace of Europe be disturbed once more. They do not, therefore, pin their entire faith to the League and are preparing to strengthen their own defences. They have allowed their armaments to decline both because they hoped that the peace organisation of the world would supersede the appeal to force, and because they believed that they could put their limited revenues to better use, in times of depression, than the expenditure on arms. But, if the fears of the present crisis are realised and the recalcitrant nations insist on the arbitrament of war, the British people will not be slow to take up the challenge, no matter how deep may be their regret that the way of peace is thereby made more difficult.

These are doubtless trite and obvious generalisations ; but they demand a place in the consideration of British policy in the Pacific because that policy will be largely influenced, if not dictated, by the



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course of events in Europe and elsewhere outside the Far East; and, therefore, as we approach the problems of the Pacific Ocean and "East Asia" we must carry in our minds the general picture of Britain's place in the world. In British eyes the separateness of the Pacific is a figment of the political imagination only possible to those who ignore the influences of world-wide scope which must play a part—it may be a decisive part—in the treatment of the fundamental problems which to-day beset the nations of the Far East in common with those in other parts of the globe. And even if to-day some of the leaders of political thought and action in the Far East fail to recognise this salient fact in their condition, no one who sets out to depict the British attitude can omit it. He must, indeed, emphasise it.

*Factors in British Policy*

Now, assuming that security is the aim of policy, and in face of the possibility that the appeal to force as the *ultima ratio* will again be made, the main factors that determine British policy in the Pacific must be stated in terms of the defence of existing interests. These factors are :—

1. That Great Britain is a European Power with greater overseas interests than any other;

2. That Great Britain is thus compelled to preserve a balance between her commitments in Europe and her extra-European obligations;

3. That her Imperial interests, both in the Dominions and in other colonial territories, are at many points in contact with the territory or possessions of other Powers and that any major problems arising from that contact may lead back to Europe for its solution, which would seem to prove that there can be no security through that isolation from Europe which is preached as the doctrine of British salvation in some quarters of British opinion;

4. That the integrity of the Empire as a whole, including the Dominions and India, requires the security of the individual parts and uninterrupted communication between all;

5. And this in turn means :—

   (*a*) In respect of Canada, a policy not at variance, and preferably in co-operation with the United States.

   (*b*) For South Africa and the British possessions in the African continent, the security of the sea-route to the Cape, which the British naval authorities would undoubtedly interpret as being threatened by the acquisition by a potentially hostile foreign Power of any considerable harbour on the African coast.



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(*c*) For India, Australia and New Zealand, the sea-routes to the East, the Suez Canal, Singapore, and also the Cape of Good Hope.

6. That, not only the Canadian motive, which alone would suffice to dictate a policy not hostile to the United States, but the security of the Commonwealth as a whole demands a policy which, as Mr. Baldwin said last year, secures at least the acquiescence, if not the active approval, of that country.,

*Anglo-American Relations*

At this point it is pertinent to consider the relations of Great Britain and the United States. When Mr. Baldwin told his Glasgow audience in 1934 that he would not accept any major commitment for the British Fleet in Europe until he knew what the United States would do,[1] he was speaking not of Anglo-American sentiment, but of one of the great realities which underlie the whole international situation. The experience of the War proved that if Great Britain were once more engaged in a struggle of comparable magnitude the United States would probably be drawn in, but that there could be no certainty that she would be drawn in, nor on which side she would eventually fight. Moreover, even if she never became a belligerent herself, the defence of her rights as a trading neutral would make her a formidable nuisance to any active belligerent attempting to force an issue in the war by naval blockade. And since the blockade is the strongest weapon in the British armoury, a British Government at war would necessarily be compelled to watch the United States with greater care, and to avoid provoking that country with a more anxious skill than any other participant in the war. Should the circumstances of the last war be repeated, it is hardly conceivable that any continental belligerent would press a submarine campaign to the extremity of repeating Germany's supreme blunder by compelling the United States to declare war against him. This means that, sentiment apart, Great Britain is necessarily more concerned with American feeling and American policy than any other Power, at all events in Europe; and Mr. Baldwin was right when he laid his finger on Anglo-American relations as one of the keys of British policy.

An American writer on this subject might put the same truth the other way round: for, if the United States were at war, it would be vital to her success not to provoke Great Britain by drastic interference

(1) *The Times*, Nov. 24, 1934.



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with British trade. But that is not the angle of approach for a British observer, and it is, therefore, only to be noted in passing.

*American Neutrality*

This phase of British policy has a renewed interest since the United States began to review her rights and duties as a neutral Power. Without attempting to forecast the future policy of the United States Government in neutrality, and setting aside, as expressing an improbable hope, the American assertion that " we shall never again get mixed up in Europe," we must observe that there are two aspects of American " neutrality," both of which require British attention. The first relates to war in Europe, the second to war elsewhere and particularly in the Far East.

The Neutrality Act, now valid till the 1st May, 1937, forbids the supply of " implements of war," and of credit, to any belligerent. It also appears to leave the general neutral rights of the United States exactly where they were in 1914 or 1917, and thus to give point to the argument laid down above, which means that British policy must continue to take account of the effect on British action in war of a neutral United States seeking to maintain her rights against any belligerent. It is true that in 1933 Mr. Norman Davis gave an official American pledge that, if a disarmament agreement were made, the United States would not seek to impair the effect of economic sanctions against a declared aggressor by insisting on this neutral right to trade with such aggressor. But this pledge fell to the ground when the neutrality legislation was passing through Congress in 1935-6, and the final terms of the new enactment contain no such authorisation to discriminate between belligerents. Thus both the present Act, and the history of the United States in this matter, give the British people reasons, as strong as ever, to pay heed to the attitude of the United States in any situation where war is involved.

In respect of the Far East, it is probably true that Congress might think and legislate differently. The existing Act is a measure, passed in haste, to keep the United States out of a war which seemed to threaten Europe when the Abyssinian crises broke out. It expires in 1937, and we need not speculate on the character of its successor. But we should do well to note that there has always been a marked difference between the American distaste for European entanglements and the more or less continuous and active interest of the American people in Pacific Affairs. The United States never has been neutral



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in her Far Eastern policy. Therefore, if it be true that American neutrality is a matter for British concern on general grounds, it is no less true that as we approach the specific question of British interests and British policy in the Pacific, the reactions of American policy on British, and *vice versa*, must be borne in mind as one of the prime factors in the whole problem.

*The Washington Treaties*

Fourteen years ago the policies of the Pacific Powers, especially Japan, Great Britain and the United States, seemed to have reached a common alignment. The Washington Conference was one of the successes, too rare be it said, of Anglo-American co-operation ; and it appeared for a brief moment as if Mr. Secretary Hughes and Lord Balfour had together found a satisfactory alternative to the already half-defunct Anglo-Japanese Alliance in the group of five treaties which were then negotiated. Five years later the leader of the British delegation at the Honolulu Conference of the Institute of Pacific Relations was asked by an American colleague whether he or Great Britain were satisfied that the three major treaties of Washington—the Four Power Treaty, the Nine Power Treaty and the Treaty of Naval Limitation—had proved, or would prove, to be the satisfactory alternative. He replied :—

> " The answer must surely be ' yes.' But this affirmative answer, let us admit, is only in respect of the promise that the Washington Treaties[1] seem to contain as well as the substance of the actual clauses. To put it in another way, and looking at it from our objective and international point of view, there are fewer objections to the Four Power Treaty than to the former Alliance. And conversely, the Four Power Treaty holds greater promise of good than the other. But I should be the first to regret the Alliance if I thought that the Four Powers were not prepared to develop upon the foundation of their treaty a new and permanent structure of peace. Therefore, if we are asked to approve of the policy which brought the Alliance to an end and put the new quadruped in its place, we can only give a conditional approval, conditional on the nature of the constructive policy which the four Pacific Powers can be persuaded to pursue in common.[2] "

The condition then laid down was not satisfied, and the structure of peace never raised. Nothing substantial was attempted and the embryo of a collective system for the Pacific was allowed to wither

(1) He actually used the word ' Treaty.' F.W.
(2) Problems of the Pacific. Proceedings on the 2nd Conference of the I.P.R., Honolulu, 1927, p. 25.



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away. It is true that in their Memorandum of May 1926, and in its more famous successor of that year, the British Government endeavoured to engage the United States Government (and others) in a joint new departure which might bring some positive result out of the Washington pledges; but even this initiative was confined to such Chinese problems as the Tariff and Extra-territoriality, and the more dangerous problems which were soon to provoke a crisis were left untouched. A serious misplacement of emphasis concentrated attention on the naval ratio during the next twelve years, so that by the time that the London Naval Treaty of 1930 was signed the Powers were thinking almost exclusively of armaments, which are the effect of policy, and not of the problems which are its originating cause.

It is true, and it is to the credit of the Governments concerned including both that of the United States and of Great Britain, that much was done to meet the demands of the new situation in China; but it was not until the crisis broke out in Manchuria that opinion generally veered to the correct view that if China's condition prepared the way for the crisis it was the condition of Japan and the policy of her military leaders that forced it to an outbreak. The net result is that two of the three major Washington Treaties are all but dead, and the third, which guarantees the "insular possessions and insular dominions" of France, Great Britain, the United States and Japan is only extant because the time has not yet come to challenge it. Whether that time will ever come will probably depend on the ability of the Powers concerned, and especially the United States and Great Britain, to deal with the political and economic problems of which the attempt is made in this Memorandum to state the British view. That it must come is by no means inevitable; that it may come is certainly possible, and that the forces which are driving Japan towards it will gain rather than lose strength if the other Powers can offer no other alternative is part of the thesis argued here.

It is not necessary, for the present purpose, to re-trace the course of action by Japan, or inaction by other Powers, which has brought the Far Eastern question to its present pass. The factors which compose the Japanese problem, social, economic and political, strategic, psychological and dynastic, are common knowledge; and the failure of the Powers, within or without the League, to devise an effective procedure to meet the crisis is equally well known. If there be a moral in the history of the past five years, it is that timely action must be taken quickly, and must be inspired, not merely by a desire



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to apply a temporary sedative but by a clear conception of the underlying causes of the problem to be treated. Neither timeliness nor clarity can be said to have been the characteristics of international action in the Manchurian question ; but, if it be a matter for profound regret that the partners in the Washington Treaties failed to make good the promise of their own signatures, neither denunciation of Japanese aggression, nor Anglo-American recrimination, will serve any useful purpose to-day. It is time to wipe the slate and start afresh. The crisis is one which demands both insight and objective study into all its component factors. The issues involved are sometimes revealed, but more often obscured, by the events of any given moment, and they cannot be appraised in the convenient but misleading terms of " militarism " in Japan or " communism " in China.

## II. The Problem of Japan

Now, there is not room in this monograph for a comprehensive study of the underlying causes of the Far Eastern crisis. All that can be done is to describe briefly what they are, how they are related, and how they are interpreted, in a tentative fashion, by instructed observers in Great Britain. It may be put on record, at the outset, that since the Honolulu Conference of 1927, the scene has changed and, with it, the perspective of the onlooker. China was then the central figure, with the Washington Treaties as the new setting of her foreign relations. To-day, while the condition of China is still the fundamental problem, and her territory the chess-board on which the game is played, the condition and policy of Japan make a more urgent claim on our interest. If, therefore, we turn our attention mainly to contemporary Japan, it is not because we have changed our conviction that stability in the Far East depends on stability in China, nor because our sympathy with the Chinese people in their long-drawn trials has declined, but because the Japanese problem takes precedence, by the very nature of the case, in its present form.

### *Japan's Three Motives*

The various factors in the Japanese problem are well known, but their relative importance is not so clear. It is therefore pertinent to endeavour to place them in their true relation to one another and thus to elicit the master motives of Japanese policy, for an estimate of them is a necessary part of the study of Pacific Affairs. They appear in three categories :—



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(1) The dynastic, in which are included the political and constitutional questions underlying Japanese policy, both domestic and external;

(2) The military and strategic;

(3) The economic.

One might add the racial question as a fourth factor; and here racial would mean the resentment aroused by the assumption that the "white" man is superior to the "yellow" and therefore entitled to raise Asia to the level of the West, and to achieve this purpose by intruding upon Asiatic life. Japan feels that, having disproved the assumption, she has the right and the obligation to resist the consequent intrusion and that, in upholding the conception of "Asia for the Asiatics," she has the sympathy, whether avowed or not, of the East as a whole. For the purpose of my argument, I conceive of the racial factor as included in the politico-dynastic factor placed first in order above, and so confine myself to the three-fold presentation of the Japanese problem.

In most appreciations of the Far Eastern problem the economic factor has received at least as much attention as, if not more than, the other two. But the more closely the situation is examined and seen as a whole, the more clearly do these factors emerge in the order in which they are placed above, with the dynastic and the strategic motives of Japanese policy playing the larger part, and the economic motive supplying only a partial, and perhaps not decisive, explanation of its character. In placing them in this order, it is not suggested that the economic condition of Japan is not a matter of the first order of importance both for the Japanese themselves and for the foreign student of the Far East. But, in diagnosing what we have called the master motives of Japanese policy, we shall probably go astray in our search for a policy wherewith to treat the Japanese problem, if we assume in advance that the economic factor is decisive. We shall be nearer the truth if we recognise that Japan has a threefold purpose, as described above, and that the combination of the strategic and dynastic motives is, in fact, the governing *leitmotiv* in her whole design. By dynastic is meant the defence of the Kingly, or Imperial, Way of Government—*Kodo* or *Odo*—in Japan itself against the threatening rivalry of alien conceptions of politics, such as democracy, republicanism or even communism, and the restoration of this monarchical principle in every Asiatic region in which Japan can establish her



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authority. And by strategic is meant the exclusion from the Western Pacific Ocean and from Eastern Continental Asia of any Power great enough to challenge this purpose or to threaten the security of Japan, either in her own islands or in her new continental Empire.

*The Economic Factor*

The promotion of these purposes, which march inseparably together, is powerfully aided by the driving force of social and economic tension in Japan; and as long as the leaders of Japan can persuade the nation to believe that the resultant expansion is their manifest destiny, the pressure under which the masses of Japan now live will produce no domestic explosion, for it will have been canalised in an outward direction. Up to the present moment, both the dynastic and the strategic purposes have been promoted with very considerable success. In continental Asia, Manchukuo serves them well; and the naval position of Japan in the Pacific gives her such complete strategic security at sea as to leave her free to pursue her continental aims with comparative impunity. Inasmuch as the dynastic-strategic purpose is essentially political, it follows that even if the much advertised economic aims which accompany it are not reached, it will be carried out none the less; and, plainly, no bargain of the market place, offered by other Powers as a palliative against trouble, can possibly induce Japan to relinquish it. It is essential, therefore, for us to bear in mind the limitations thus imposed on any economic policy designed by its authors as an alternative to the Japanese programme of expansion in North-East Asia, and to recognise that while access to world markets, raw materials, etc., may legitimately be regarded as offering an alleviation, if not the solution of her domestic problem, it is not, at present, true to say that the alternative to her Asiatic imperialism is economic opportunity elsewhere. The ultimate check upon Japan's imperial progress will be administered either by the gradual stiffening of Chinese resistance or by the veto placed upon it, at some point, by the Soviet Union, or by both. And the point at which Great Britain, or the British Empire, can usefully hope to take constructive action in the economic field is likely to be reached only when that check has begun to operate. It may have begun to operate already.

*Must there be War?*

Let it be noted that long before the ultimate limit of the Japanese advance in Mongolia or North China is reached, the Japanese them-



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selves will have begun to learn, if they are not beginning to be aware of it already, that the economic reward of their "East Asia" policy will not, and can never, of itself meet the requirements of their economic life at home. The solution of Japan's problem must be sought on a world-wide basis. But before we consider whether that basis can be found, we cannot ignore the plain fact that, despite the apparently pacific diplomacy of Mr. Hirota, and despite his undertaking that as long as he is in office there will be no war, the masters of Japanese policy to-day are men trained to war. In their minds there is a simple and heroic fatalism which displays itself in their sense of Japan's divine destiny; and, though there is fortunately no inevitable certainty that this policy will be pursued to its logical conclusion in a great Pacific war, it is wise to ask whither that destiny may lead Japan and what problems it holds in store for other Powers.

It can hardly be denied that the British Commonwealth, the United States, and the Soviet Union have, each in its way and measure, reason to apprehend the possibility of a challenge to their vital interests. It may be said that for each and all of these three Powers the threat to their interests is still too distant to be the practical concern of their present Governments. That may be: but each and all of them must, none the less, know the point at which vital interests must be defended, and though few indeed are the Governments that think of the distant morrow, none of them can fail to visualise the situation in which war is the only alternative to a humiliating evacuation. For the Soviet Union the vital point may be Vladivostok or Mongolia: for the United States it is certainly Hawaii and may be the Philippine Islands: for Great Britain it is, possibly, Hong Kong and, certainly, Singapore, which is the gate to India and the link with Australasia. Personally, I am inclined to think that, in the near future, we shall find Hong Kong more important than it appeared to be during the period of the Naval Treaties. All this presumes that, in the last resort, war on a grand scale is the fated instrument of Japanese policy. And so it will be unless the essential needs of Japan can be met in other ways. Some there be who will reply that, for Japan, war on such a scale is self-destruction; but all history shows that, in a certain state of mind, a nation will embark on self-destruction rather than relinquish some deeply cherished object. Militarism and political commonsense are rarely found together, and, therefore, even the most convincing proof that the militarist policy of Japan's present rulers seems to expose the nation to insane risks is no guarantee whatever that the act of insanity will not be committed.



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Now, there may be no insurance against this formidable eventuality, in the last resort, except to arm against the danger and dare Japan to take the risks involved in war with one, or with a combination, of her powerful Pacific neighbours. The objectives of her present policy would seem to lead her to an eventual conflict with Russia, when the penetration of Japanese influence reaches the point at which the Soviet Union must call a halt in the western expansion of Japan from Manchuria into Mongolia in order to prevent the latter region from being used as the base of a flank attack designed to cut off Eastern Siberia from contact with the European territories of the U.S.S.R. Up to the present stage, Japan has advanced unchecked, and the recent sale of the Chinese Eastern Railway by the Soviet Government has been interpreted as meaning that Russia was preparing to evacuate the Far East. This is a mistaken view. The railway itself was fast becoming a wasting asset. The newer lines built by Japan were robbing it of much of its former traffic in peace and would have made it almost impossible to protect in war; and the Soviet Government, taking a realistic view, sold it in time and turned their attention to the construction of an alternative line round the north of Lake Baikal, running on Soviet territory entirely, to a new terminus on the Pacific Ocean. This new railway has a perfectly sound economic justification, but it has also a strategic value; and when the settlement of Eastern Siberia has proceeded to the point where it plays an important part in the internal growth of the whole Union, the Soviet Government will take up in earnest the question of its security. And it is conceivable that they may be forced, by the policy of Japan, to take it up even earlier. Meanwhile, in the last two years, there has been a marked slackening of Russo-Japanese tension. Mr. Hirota said, in his remarkable speech of January 25th, 1935, that, as long as he was Foreign Minister there would be no war; and by "war" he meant, not the proceedings of the Kwantung Army in Manchuria, Jehol, Chahar and Hopei, but war with Russia. And since then Mr. Radek, not indeed speaking as the voice of the Kremlin, yet not without authority, said that Russia would be prepared in 1936 to take up, in friendly negotiation with Japan, some of the outstanding questions that had hitherto disturbed Russo-Japanese relations.

Thus a *détente* postpones the oft-predicted conflict. And we may reasonably doubt whether the "inevitable" war will ever break out.



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Russia, more concerned with her security in Europe, is content to succour her Far Eastern interests by the economic development of Eastern Siberia and to parry the Japanese challenge by diplomatic means. And, whether the issue between these two Powers, which seems to have been ripening for a decision in recent years, will ever provoke war is still an uncertain question which, like some others, may be left unanswered for the moment. All that need be said here is that in the changing balance of forces in the Far East the weight of Russia will increase as time goes on. In the longer view, this growth of Russian power will tend to create a more even balance than now exists; and, even the shorter and superior communications of Japan to her new continental frontiers may not be the decisive factor. Russia is at present divided between her European and Asiatic commitments, paying greater attention to her Western neighbours than to Japan; and until the contemporary suspense in Europe is relieved, it will be impossible to say how free a hand she can ever have in the Far East. Her present attitude is one reason, therefore, why there need be no "inevitable" Russo-Japanese war; but the strongest reason why the issue between Russia and Japan may not come to decision in war is that the fundamental needs of Japan cannot be satisfied in North East Asia. No doubt her sense of destiny, and her "mission" in that part of the world will continue to drive her forward; and she is too deeply committed in Manchuria, Mongolia and North China to be able easily or early to draw back; but the ultimate rewards of this imperial enterprise will not suffice, and she must turn to other spheres to accomplish her own salvation.

*Japanese Expansion Southwards*

This may mean a diversion of Japanese effort towards the south which would raise formidable questions for the United States and Britain. Japan interprets American policy in the Philippines as the withdrawal of America from the Western Pacific; and the Japanese military party argue that Britain and the United States would never have consented to the limitations of the Washington Naval Treaty, especially in respect of the effective equipment of naval bases anywhere nearer "East Asia" than Singapore and Hawaii, if they had not already resolved that the Far East was not an area of major interest to them. They therefore assume that no effective American, or British, or Anglo-American resistance will be brought into play to check their own expansion, at their own chosen moment, whether it be in the direction of the Philippines, Siam or even the Dutch East Indies.



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Japan, let it be said, is not going to set about the task of her southward expansion by attempting to take any of these territories by force in the first instance; and contemporary American policy seems to open before her the prospect of a new advance without the use of force. In some form or other, Philippine "independence" creates a new situation. It is probably too much to say that it denotes a complete American evacuation, for the President has reserved the question of naval defence of the Islands; but it tends to create a partial vacuum in a region where great pressure surrounds the vacuum; and it is obvious that the experiment of Filipino self-government can have little chance of undisturbed success unless the integrity of the Islands is protected from the impact of this pressure. By what guarantee will it be protected? Recent history in Manchuria, Jehol and North China-within-the-Wall forbids us to rely on the paper protection of an international guarantee, and, therefore, the security of the Islands and the forestalling of further consequences in regions beyond the Islands themselves, seem to rest upon an American determination to say "hands off" to any other Power. In the absence of an American veto, it is likely that Japan will take an active part in deciding the fate of the archipelago. Some will say, why not? If the Filipinos choose to accept the overlordship of Nippon, what right has anyone to say them nay? The question is not so simple as it appears, nor is it one which can be answered without considering the relation which it bears to others, more important than itself. The destiny of the Philippine Islands is not a thing which can be resolved in isolation.

*The Philippines*

Let us try to forecast the probable course of events, assuming that the United States retains no effective responsibility for the Philippines. There is little doubt that Japan will seek to extend her trade and to extract special concessions, both by tariff agreements and by actual participation in Philippine enterprise. She already possesses a considerable stake in the Islands; and upon this foundation a superstructure of Japanese interest will be raised, of the same kind which Japan created for herself first in Korea and then in Manchuria. In this process the moment will come when Japanese interests will conflict with Filipino domestic policy and Japan will then declare that these interests are being imperilled by political interference or by the incapacity of the Filipino Government to protect legitimate foreign rights. A case for intervention will be sedulously prepared; and



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once these forces are set in motion we shall witness a development of the same process which has transformed the Three Eastern Provinces into Manchukuo. At what stage, if at all, will the United States act? If she does act, will she be prepared to support protest by force? If not, she must acquiesce in the absorption of the Philippine Islands within the economic and political orbit of Japan, and in that case it matters little whether Japan annexes the Islands outright or not.

This is something more than speculation; it is one of the possibilities inherent in the present trend of affairs. And if the course of events in the Far East takes a turn in this direction it must raise significant questions in the minds of every interested Power. No longer will the British Dominions of the South Seas be able to congratulate themselves that the preoccupation of Japan in North East Asia gives them a feeling of security south of the Equator. The Dutch in Insulinde will take alarm; and from Hong Kong to Aden the British Empire in the East must ask itself where and how the new situation is to be met. For all the Powers concerned, the shadow of a war which at one time seemed unlikely, if not impossible, looms out of the speculations. Japan believes that war may come, without fully realising that her present policy, perhaps, even more, her present temper, brings it nearer. She already sees the long arm of American air-power stretched out towards her from Dutch Harbour; and the alarmist posters of Japanese defence propaganda are designed to convince the Japanese people that the menace of foreign air-attack, from Vladivostok, from the American bases in the Pacific, even from Hong Kong, is fast becoming the great danger which Japan must forestall by acting before others are ready. And as long as the circumstances of the world remain as they are to-day, limiting by emigration laws, tariffs, quotas and other restrictions, the opportunities of expansion abroad which alone can relieve Japanese pressure at home, the Japanese people will lend a willing ear to the propaganda of the military party which tells them that force is the only instrument which can break the ring that surrounds them.

*A Threat to Great Britain?*

This propaganda is one of the ugly elements in the situation. It plays alike on the fears and the ambitions of the Japanese people; and it uses, as one of its provocative arguments, the belief that, if threatened, the British Empire could not parry a blow, or strike back. This appears to us to be a dangerous delusion, fostered by the cir-



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cumstances of the moment, in which Great Britain is mainly preoccupied with the European problems at her door, and by the reluctance of the British taxpayer to shoulder great financial burdens for the sake of Imperial defence. But we can hardly doubt that, by a combination of shrewd diplomacy and expenditure on naval armament, the British Empire, if summoned thereto by a real threat to its security, would and could make the required effort. We think it necessary to put the issue thus, not because we look upon it with anything but profound regret, nor because we regard an agreement with Japan as impossible, but because foreign critics, especially among Japanese naval propagandists, are prone to repeat the crucial error of their German prototypes before the war and to assume that the British nations are losing the will and the power to survive.

*Economic Alternative to War*

Thus there are many in Great Britain who think that a rearmament programme is the *sine qua non* of any effective British action, but I believe that the majority hold that, even if the British Government feels itself driven to this course, the only satisfactory solution must be sought by political means. Indeed, merely to arm against this danger, without an attempt to deal with the problem by other means, is bankrupt statesmanship ; and even if it be true that statesmanship of the kind required is, if not bankrupt, at least silent, in Japan to-day, this undoubted fact is no excuse for the other Powers to accept, with fatalism, the inevitable war, without seeking to devise a policy which offers a reasonable bargain, shared by all, instead of a destructive struggle. In making this plea, we are well aware that the suggestion of an economic alternative to war is no panacea. Japan's mission in Asia has a psychological, one might say a mystical, force at its heart, which may not be tamed by any material advantage ; and it is possible that Japan will be in no mood to participate in any new economic agreement based on the reciprocal advantage of its makers until she has found that the empire she has set out to create in East Asia cannot fulfil the golden promises held out by her present leaders. But there are many in Japan, including some of the most prominent figures in the inner ring of her ruling class, who would welcome the opportunity of calming the dangerous emotions deliberately awakened by the military party, if that opportunity were presented to them by an invitation from the other Powers to frame a new policy of world-wide economic scope.



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This brings us back to Sir Samuel Hoare's speech in Geneva, on September 11th, 1935, when he said, in the Abyssinian crisis,

> " The view of the British Government is that the problem is economic rather than political and territorial. It is fear of monopoly—of the withholding of essential colonial raw materials—that is causing alarm."

We must suppose that in using the illustration of raw materials, the British Foreign Secretary was merely setting them up as a signpost to the main problem; for the lack of essential raw materials, such as cotton, rubber, coal, fuel oil, copper, etc., to name but some of them, may be a fatal poverty in time of war, but is only a problem of the exchange of products between the ill-equipped and the better-equipped in time of peace. For Italy, as for Japan, the basic problem is not merely, to use Sir Samuel Hoare's words once more, " the fear lest exclusive monopolies be set up at the expense of those countries not possessing colonial empires." It is something much wider than that; and even if both those countries possessed raw materials in abundance, they would still be confronted with obstacles to their progress which account for their present difficulties. Even those nations which possess these essential products in their own countries, or control the colonial territories in which they exist, are not free from embarrassment; and if it be said that surplus population, for whom employment cannot be found, is one of the greatest factors in the problem, it can be said with truth that, during recent years, the countries which have suffered most distress from this unemployed surplus are the very countries which own the largest territories and enjoy the greatest resources. At its root, therefore, this is not an Italian or a Japanese problem; it is world-wide, and the treatment of it cannot be contemplated solely in its East African or East Asiatic bearing. And there can be no permanent or general relief, either from economic distress or from the threat of war, until the international exchange of goods and services is liberated from the paralysing restrictions which now prevail.

This truism would not bear repetition were it not that, though known to everyone, it is practised by none, or only put into practice on a very limited scale. It is, of course, beyond the scope of a review of Pacific Affairs to recount in detail the economic measures necessary for world relief. And yet, since the solution of the Pacific problem, in our British view, is inseparable from the treatment of the whole, it is necessary to carry with us throughout our consideration of Far



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Eastern affairs the conception of the Far East as part of the whole. And we must, therefore, place in the very centre of the plan, as the pivot round which hopeful policy revolves, the necessity of dealing with the fundamental conditions of all international trade, relief from restriction, stable currencies and all those measures of reform which have been prescribed, time after time, by the economic advisers of every Government, but which, owing to the prevailing political and economic nationalism, few Governments have been able to adopt.

*The Need for Comprehensive Review*

If this be true, obviously it will take time before all the conditions favourable to the completion of an international plan can be created; and all that the Institute of Pacific Relations can hope to do is to educate public opinion and to provide by research and the sifting of material the substance of fact from which policy may be made. It will perhaps be said that the prime condition of any early progress does not exist and cannot exist until the three major currencies of the world are again stabilised on a common basis and that, therefore, the hope of initiating a world programme of economic co-operation must be deferred. This would be true and conclusive if the matter in hand were one of framing a policy for immediate execution, in a word, if the Institute were an official conference of Governments assembled in 1936 to take action upon the problem. But since the function of the Institute is exploratory and preparatory, there is no reason why it should not carry to completion the work already undertaken in its study of the condition of the Pacific peoples with a view to the improvement of their mutual relations.

In the early stages of its career the Institute concentrated the greater part of its attention on the condition of China and upon the organisation of peace in the Pacific. This preoccupation with China was justified by the fact that what has been called the new era in Pacific affairs originated, and still finds its key, in the effect of the Chinese Revolution upon China herself and upon the relations of all other Powers with her. And in the long run the Far Eastern problem will not be solved until China achieves political stability and internal reform. But the crisis would never have reached the acute stage of the past four years had it not been for the equally critical internal condition of Japan and the means employed by the military party to exploit the opportunity of expansion at the expense of China. In turning its attention to the condition of Japan, the Institute rightly



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emphasised the importance of the study of the needs of Japan; and, in a series of useful volumes, has already prepared the way for the next step. Being well aware of the general direction in which a solution of the problems of Japan must be sought, the Institute has now passed beyond the stage of study on broad lines and is confronted with the task of extracting from its own research, and from all other available sources, the essential facts of the whole case and of sketching a plan which will reveal the part which each of the nations composing the Institute can play in a new economic policy, with possible political results also, provided Japan will consent to meet them in a co-operative spirit.

*Japanese Needs*

This will require a thorough examination of the balance of trade in Japan, of the sources of her imports and the destination of her exports, of the commercial treaties which regulate her foreign trade, of the net results of special agreements designed to overcome or to modify restrictions on her exports to particular countries, of Japanese emigration policy, and of her probable requirements of capital and the extent to which she may have to borrow abroad for future development. It should also include consideration of the probable effect of large increase of new domestic debt and of unbalanced budgets upon her credit and her internal price level, and the effect of this burden upon her finances and her competitive power in foreign trade. Much of this has been studied already; but a good deal of the evidence is of too recent origin to have been assembled or sifted for examination. To carry it out effectively, the co-operation of the Japanese Council is desirable, if not absolutely necessary; for much of the vital material must come from Japanese sources. The problem is one in which those who normally take large quantities of Japanese products, those who sell largely to Japan, those who control either essential raw materials or tropical markets, and those who have capital to lend should Japan require it, necessarily have some part to play.

If it be asked what the crux of the whole matter is, it is to discover the extent to which the mutual requirements of Japan and other nations can be met, as part of the whole process of recovery, with a view to the general expansion of trade and in the form of a reciprocal agreement which will give Japan wider outlets in return for her consent to recognise the rights and opportunities of her partners in



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this policy to an appropriate share in the development of the Far East, and particularly of China.

*Japan cannot have it both ways*

Japan cannot have it both ways. She cannot claim hegemony in East Asia, carrying with it, as we have seen, the persistent endeavour to exclude foreign enterprise from its legitimate field, and at the same time expect to find an open field for her own expansion elsewhere. Nor can the other Powers expect Japan to pursue a more liberal policy until they, on their part, recognise that their Immigration and Tariff policies, coupled with the moral censure of her Manchurian adventure, tend to drive Japan into isolation and make her exploit her own immediate advantage in Asia regardless of the interests of others.

*No Panacea in Economic Policy*

At this point we must again remind ourselves that there is no one single answer to all the questions now at issue in the Far East. If our estimate of the component factors in the Japanese problem is anywhere near the truth it is obvious that its economic aspect is only part of a greater whole. What is called " Japanese expansion " is primarily a dynamic movement springing from sources that are not solely economic in character; and it may be said that the economic factor generates a driving force without supplying the direction of policy. Doubtless the three motives, dynastic, strategic, and economic, are now yoked together in such a fashion as to make them appear inseparable; but we must beware of assuming that the undoubted importance of the economic factor justifies us in believing that any economic policy will, or can, decisively change the character of Japanese continental expansion. What, if evolved in the right way, it can do is to show the Japanese nation that, insofar as it lies in the power of other nations, they are willing to co-operate on a basis of genuine reciprocity, but on no other, to meet the legitimate economic needs of Japan.

## III. The Problem of China

*A Contrast*

The Chinese problem, by contrast, is one in which economic conditions and economic treatment stand first: but it has this in common with the Japanese problem, that agrarian distress calls for



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urgent action. In the present statement of the British view of the Far East, however, it is not proposed to discuss at length the nature of the Chinese problem as a whole. None the less, something must be said of the conditions in China in 1934 and 1935 which aroused British interest owners and led to the visit of Sir Frederick Leith-Ross, the Chief Economic Adviser of the British Government, to the Far East in 1935-36. In 1934 a crisis in Chinese finance and currency was imminent. Internal causes, both political and economic, had produced a dangerous instability. The budget of the National Government had been balanced for several years previously only at the cost of heavy domestic borrowing. Trade had fallen to a low ebb, and the balance of foreign payments had been heavily upset, until the point seemed to be approaching at which there was likely to be so heavy a drain on Chinese domestic stocks of silver as to threaten the foundations of the Chinese currency. At the same time, and with increasing pressure on China, the silver policy of the United States Government brought another unfavourable factor to bear; and when the Chinese Government realised that it could offer to America no inducement which seemed likely to lead to a change in American policy, they were compelled seriously to consider the possibility of suspending silver payments and adopting a " managed currency."

*The Leith-Ross Mission*

It was at this point, or in fact a little before the Chinese Government gave its first hint of a new currency policy, that British interest was aroused. A review of the problem revealed the fact that the dangers which beset China were also threatening the whole structure of British enterprise and investment in China. The leaders of British commerce in China, knowing that the Chinese Government had approached the Foreign Office in the matter, and being aware that the British Government had rejected the suggestion of a foreign loan to China in 1934, took the matter in hand in the early spring of 1935, and made strong representations to the Foreign Office, the Treasury and the Board of Trade. On March 6th, 1935, the British Minister in Peking issued a statement making it clear that H.M. Government had not proposed a loan to China, but that they had been in close consultation with the Chinese Government regarding the financial situation. " H.M. Government," said the statement, " are convinced that in such a matter it is essential to act in consultation with other interested Governments whom they have informed of their discussions with the



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Chinese Government and whose views they would desire to have on any concrete proposals that may emerge." On the same day, Sir John Simon repeated this statement in the House of Commons.[1]

Meanwhile the Japanese Government had maintained a complete reserve. Semi-official hints given by the Foreign Office spokesman in Tokyo seemed to show that Japan would leave the door open for conversation, but expressed some suspicion of British motives. Certain organs of the Japanese Press, voicing the opinion of the Army, were openly hostile to any action by Great Britain, and repeated the famous declaration of April, 1934, as a warning to other Powers that Japan regarded " East Asia " as her special preserve.

But, after careful consideration of all the problems involved, the British Government decided that the economic crisis in China gave them an opportunity to take action, both in defence of British interests and in assistance to the Chinese Government. In a word, I interpret the Leith-Ross mission as meaning that they were not prepared, either to turn a cold shoulder to China or to jettison British interests in the Far East merely because Japan said " Hands off ! " And they were convinced that the interests of Japan herself would be furthered by the promotion of Chinese prosperity, if agreed measures to this end were found possible. Therefore, on June 7th, 1935, they announced that their Chief Economic Adviser, Sir Frederick Leith-Ross, would visit China " in order that his expert advice may be available to H.M. Government for the purpose of discussing with the Chinese Government and with the other Governments concerned the problems to which the present situation gives rise."[2]

*The New Monetary Policy of China*

Sir Frederick Leith-Ross arrived in the Far East in August, stopped in Tokyo to pay his respects to the Japanese Treasury and Japanese bankers, and passed on to China, where he found the Chinese Government driven by necessity to adopt a new monetary policy.[3] He was not sent out to advise, still less to make, this policy. And it is reasonably certain that the Chinese Government would have adopted it whether he had gone to China or not. But his presence in China, at the time of its preparation, gave the Chinese Finance Ministry the

(1) Hansard, Vol. 298. March 6, 1935. Col. 1916.
(2) *The Times*, June 10, 1935.
(3) See " The New Monetary Policy of China," published by the Currency Reserve Board, Shanghai, 1936.



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great advantage of his authoritative advice, and showed that Great Britain took an active and sympathetic interest in the problem. And when, on the promulgation of the new policy by decree of November 3rd, 1935, the British and foreign banks voluntarily co-operated with the Chinese Government in transferring their silver to the custody of the new Currency Reserve Board, the Chinese public saw in this action convincing evidence of constructive co-operation and goodwill. It is to be noted that this action of the foreign banks in Shanghai was entirely voluntary, for under their extra-territorial rights they had the legal power to withhold their silver reserves. And it may be assumed that their action was proof not only of goodwill, but of their conviction that the new policy was sound in itself and therefore worthy of support.



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