

From Conciliation to Sanctions: US-Japan Relations, 1937-1939

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On the night of July 7, 1937, fighting erupted between Japanese troops stationed in north China and Chinese soldiers near the Marco Polo Bridge, or Lukouchiao. Each side blamed the other for initiating the skirmish, and it is impossible to know which side fired the first shot. But regardless of who initiated it, the Lukouchiao incident triggered a chain reaction of events that ultimately resulted in the outbreak of a large-scale undeclared war in China.

Not surprisingly, the main Far Eastern question confronting United States policymakers from 1937 to 1939 was the question of what to do about Japan. Immediately following the Marco Polo Bridge incident, the United States adhered to a policy of strict neutrality, exhorting both the Chinese and the Japanese to refrain from war and to work together to ensure peace throughout Asia. As Dorothy Borg notes, the main goal of Secretary of State Cordell Hull's policy in the wake of Lukouchiao was to "educate the people of the world in opposition to war."¹

To that end, Hull issued a public statement on July 26, indicating the United States government's desire for world peace. Hull stated that the United States "constantly and consistently advocates maintenance of peace" and that the U.S. government also advocates "national and international self-restraint" and "abstinence by all nations from use of force in pursuit of policy and from interference in the internal

¹ Dorothy Borg, The United States and the Far Eastern Crisis of 1933-1938 (Cambridge: Harvard University Press, 1964), 291-292.

affairs of other nations.”² This was essentially the nature of U.S. policy towards Japan in the early stages of undeclared war in China—gentle requests that Japan support peace and respect China’s sovereignty.

However, as the undeclared war in China continued throughout 1937, 1938, and into 1939, US policy gradually shifted away from a policy of words to a policy of action. With each new act of Japanese aggression, the representations made by the United States to the Japanese government became more emphatic—less conciliatory and more inflammatory. As the Japanese extended their control over China, capturing Shanghai and Nanking, the United States vigorously protested the killing of innocent civilians and the threat posed to American nationals in China. When American protests went unheeded and Japan continued its aggression in blatant disregard of the Nine Power Treaty of 1922, policymakers began to consider taking action, either through aiding China or sanctioning Japan.

However, it was not until America’s *economic* interests in China were threatened that US policymakers definitively abandoned their policy of words—or moral suasion—in favor of a policy of punitive action against Japan. For the United States, the Japanese government’s 1938 announcement of their intent to establish a “new order” for East Asia, thereby closing the open door in China, was the last straw. Thus, U.S. policy toward Japan underwent two important shifts: first from initial expressions of conciliation to expressions of disapproval and anger, and second from a policy of moral suasion to a policy of punitive action following Japan’s closure of the open door in China.

In the initial aftermath of the Marco Polo Bridge Incident, from July to September 1937, the State Department maintained a policy of strict neutrality, adhering to Stanley

² U.S. Department of State, Foreign Relations of the United States: 1937, I, 699.

Hornbeck's July 27 admonition to "take great care to say only those things which may tend to pacify and to avoid saying those things which may tend to inflame the parties directly in conflict."³ Following this policy, Hull informed China's ambassador on August 13 that China and Japan would be held equally responsible for an outbreak of hostilities in Shanghai. Hull warned that "regardless of technicalities, of argument over rights, of contention over who was at fault, or of disagreement as to who had fired the first shot, the world would consider each and both sides responsible if the Shanghai region is made a theater of battle."⁴ On August 14, shortly after fighting erupted in Shanghai, Hornbeck made a similar statement to Japanese diplomat. "I said that in our opinion both Japan and China were responsible for the present military situation at Shanghai. I said that it takes two parties in conflict to make a fight. ... We could not—and we felt that the world would not—be impressed by an affirmation of either side, in repudiation of its own responsibility, that the whole blame lay with the other side."⁵

These warnings to both the Chinese and Japanese governments illustrate that while US policymakers wanted to quell the Sino-Japanese conflict, they did not yet want to alienate either government. Because Japan was clearly the aggressor, the fact that US policymakers were unwilling to blame either side for the outbreak of hostilities in Shanghai is indicative of the conciliatory nature of early US policy toward Japan. In fact, on July 14 Joseph C. Grew, US ambassador to Japan, noted that US-Japan relations were better than ever. Grew argued that the US should continue its conciliatory policy by not protesting Japanese military action unless "such protests might be expected not to aggravate the situation or when American citizens and property are molested or when

³ Foreign Relations: 1937, III, 280.

⁴ Foreign Relations: 1937, III, 400-401.

humanitarian considerations make necessary an expression of American official opinion.”⁶

This desire to maintain friendly relations with Japan despite Japanese aggression was manifested in the repeated American refusals to cooperate with the British in mediating the Sino-Japanese conflict. As Borg writes, “From the time the fighting in Shanghai had started on August 13, the British took an active part in the situation (comparable to that which they assumed in regard to the outbreak of warfare in North China) while the State Department in Washington continued its policy of strict restraint and impartiality.”⁷

For example, on August 18, the British submitted to the State Department a proposal for easing the conflict in Shanghai. The proposal stated that if both China and Japan agreed to withdraw their forces from the Shanghai area, Great Britain and other willing powers would protect Japanese nationals in Shanghai. On August 19, the US government promptly refused to participate in any such action. The State Department’s response said, “However, toward avoiding any possible misunderstanding, it should not be expected that this Government would be favorably inclined toward any project envisaging military or police responsibilities over and above those which relate to the already existing missions of its armed forces now present in China.”⁸ This refusal to cooperate with the British – one of many - helped cement the impression that the British were strongly anti-Japanese and were leading the way in restraining Japan while the

⁵ Foreign Relations: 1937, III, 411.

⁶ Foreign Relations: 1937, III, 166.

⁷ Borg, 305.

⁸ Foreign Relations: 1937, III, 444-450.

Americans were strictly neutral and were therefore refusing to go along with British efforts.

Though the statements of US policymakers and their actions in refusing to cooperate with the British indicate an initial conciliatory policy toward Japan, this began to change in early September, due primarily to changing perceptions of US public opinion. In September 1937, there was a feeling in the Roosevelt administration that the “temper of the American people was rapidly rising.”⁹ Thus, the Roosevelt Administration felt compelled to voice the public’s seeming disapproval with Japan while still maintaining US neutrality.

As a result of these constraints, the administration moved from a policy of conciliation with Japan to a policy of disapproval. On September 2, the US expressed its first official disapproval of Japan’s actions in China. In a telegram to Grew, Hull wrote, “I desire that it be fully understood by the Japanese that this Government looks with thorough disapproval upon the present manifestation of their foreign policy and the methods which the Japanese military are employing in pursuit thereof.”¹⁰

This denouncement of Japanese actions was followed by a series of strongly worded statements of US disapproval following Japan’s September 19 announcement of its intent to bomb Nanking. After the announcement, Grew spoke with Japanese Foreign Minister Hirota about the dire implications that the bombing of Nanking would have for US-Japan relations.

I spoke of the very serious effect which would be produced in the United States on the American Government and people if some accident should occur in connection with those operations, and I then spoke of the steadily mounting feeling which is developing in the United States and in other countries against

⁹ Borg, 317.

¹⁰ Foreign Relations: 1937, III, 507.

Japan, which by her course of action is laying up for herself among the peoples of the world a liability of distrust and suspicion, popular antipathy and the possibility of Japan's becoming ostracized from the family of nations.

Grew went on to discuss the entry of the United States into the Spanish-American War, with the obvious implication that the American people could easily be propelled into war with Japan if an unfortunate "incident" were to arise from the bombing of Nanking. Grew concluded, "The force and directness of my statements and appeal left nothing whatever to Mr. Hirota's imagination."¹¹

In addition to Grew's strong words, the State Department sent an official statement to Foreign Minister Hirota two days later, officially condemning the Japanese bombing of Nanking. The statement said, "This Government holds the view that any general bombing of an extensive area wherein there resides a large populace engaged in peaceful pursuits is unwarranted and contrary to principles of law and of humanity."¹² The strong words of Grew and the State Department indicate that the decision to bomb Nanking clearly raised the ire of US policymakers. They continued the pattern, begun on September 2, of denouncing Japanese aggression and expressing disapproval of Japan's policies in China. These expressions of disapproval represented a shift away from conciliation—a shift that was undertaken mainly because of the Roosevelt Administration's perception of increased public anger toward Japan.

Although this September transition from conciliation to disapproval indicates that US policy toward Japan was hardening, the policy pronouncements of early October seemed to indicate not only that the US disapproved of Japanese action, but also that the US was ready to take action to restrain Japan. The first indication that the US might

be willing to take action against Japan came on October 5, when Roosevelt delivered his “quarantine speech” in Chicago. Though Roosevelt never mentioned Japan explicitly in his speech, the speech was clearly directed at Japan. When Roosevelt said, “Without a declaration of war and without warning or justification of any kind, civilians, including vast numbers of women and children, are being ruthlessly murdered with bombs from the air,” there was no doubt that he was speaking about Japan. In the quarantine speech, Roosevelt took the previous State Department condemnations of Japan a step further not only by condemning Japan, but also by suggesting that the “peace-loving” nations work together to restrain Japan. Roosevelt said, “The peace-loving nations must make a concerted effort in opposition to those violations of treaties and those ignorings of human instincts which today are creating a state of international anarchy and instability from which there is no escape through mere isolation or neutrality.”¹³ Thus, people in the United States and around the world interpreted Roosevelt’s speech as an indication that the US was on the verge of launching a new, more active policy against Japan.

This widespread perception of the quarantine speech’s significance was further enhanced on October 6, when the State Department announced its concurrence with the League of Nations condemnation of Japan. According to the State Department’s press release:

In the light of the unfolding developments in the Far East, the Government of the United States has been forced to the conclusion that the action of Japan in China is inconsistent with the principles which should govern the relationships between

¹¹ Foreign Relations: Japan 1931-1941, I, 500-501.

¹² Foreign Relations: Japan 1931-1941, I, 504.

¹³ “FDR’s Quarantine Speech: October 5, 1937,” URL: www.ku.edu/carrie/docs/texts/fdrquarn.html

nations and is contrary to the provisions of the Nine Power Treaty of February 6, 1922, regarding principles and policies to be followed in matters concerning China, and to those of the Kellogg-Briand Pact of August 27, 1928. Thus the conclusions of this Government with respect to the foregoing are in general accord with those of the Assembly of the League of Nations.¹⁴

The Japanese, like most people, interpreted the speech of October 5 and the declaration of October 6 as an indication that US policy toward Japan was hardening and that the US was now considering sanctions against Japan. On October 22, Grew sent a telegram to Hull detailing the changing attitudes of the Japanese people. "Following the President's Chicago address of October 5 and the Department's declaration of October 6 feeling against the United States mounted sharply. This feeling resulted from (a) resentment at being condemned and (b) uncertainty as to American intentions of coercing Japan." Grew summed up the Japanese reaction as "resentment and the conviction that the United States cannot now be impartial in any international effort to restore peace."¹⁵ Grew's assessment indicates that the Japanese interpreted the proclamations of October 5 and 6 as paving the way for the implementation of coercive action against Japan. However, the reality of US actions indicates that the hardening of US policy was more apparent than real.

The main reason that the apparent hardening of US policy embodied in the quarantine speech never materialized was due to the Roosevelt Administration's perception of public opinion. The Administration thought that the speech had been a failure and that public opinion was strongly opposed to it, although there was evidence to the contrary. The Administration therefore decided to quietly retreat from the get-tough policy Roosevelt espoused in the Chicago speech. As Borg writes, "But by and large the attitude of leading officials in Washington was such that, following the agitation

¹⁴ Foreign Relations: Japan, 1931-1941, I, 397.

over the President's Chicago speech, there was less chance than ever that the administration would reverse its previous policy toward Japan and agree to some sort of punitive measures."¹⁶ Therefore, because of the Roosevelt Administration's negative perception of public opinion following the proclamations of October 5 and 6, US policy toward Japan did not actually change from a policy of words, or moral suasion to a policy of action, or punitive measures.

The reality of US policy toward Japan, despite the indications of the President's speech and the State Department's declaration, is evident in US actions at the Brussels Conference. The Brussels Conference convened in late October 1937 as a meeting for the signatories of the Nine Power Treaty to discuss what to do about Japan. Throughout the Brussels Conference, the US adhered to its previous policy of inaction toward Japan by strictly refusing to discuss sanctions against Japan and again refusing to cooperate with the British.

On November 2, Norman Davis, the US delegate to the Brussels Conference, articulated the US position on sanctions and cooperation with the British.

I told Eden that we had no intention of taking the lead; that I thought neither should follow the other; that all of the powers including the small ones should participate actively in the deliberations; that I felt it desirable in the interest of a constructive solution for us to cooperate and endeavor to work along similar lines; that I could not agree to our taking joint action but that this did not preclude independent action along parallel lines. I felt that we should concentrate every effort on exerting moral pressure so as to bring about peace by agreement and that until this had been earnestly tried and had conclusively failed we could not even consider what we might do from that point on.¹⁷

¹⁵ Foreign Relations: 1937, III, 633-634.

¹⁶ Borg, 398.

¹⁷ Foreign Relations: 1937, IV, 146.

Davis makes it clear that despite the tough words of the quarantine speech, the US still will not consider taking action against Japan. Policymakers did not even want the issue of sanctions to be brought up at the Brussels Conference, and Davis's conversation with the British illustrates that the only action the US was considering was "exerting moral pressure." Furthermore, Davis's speech indicates that the US was also unwilling to consider taking joint action with the British, or to take the lead in acting against Japan. Thus, the US position throughout the Brussels Conference, as articulated by Davis in his conversation with the British, was essentially unchanged from the previous US policy of moral suasion but no action.

The fact that the quarantine speech and the State Department declaration brought no immediate change in US policy is further evidenced by a November 16 letter that Roosevelt sent to the Japanese Prime Minister. In the letter, Roosevelt wrote, "I also wish to express my appreciation of your cordial personal greetings and of your message of friendship on behalf of Japan to the people of America. I heartily reciprocate your sentiments, especially the desire expressed by you regarding the promotion of the friendship between our two countries through sympathetic understanding and mutual respect and confidence."¹⁸

This friendly greeting to Prime Minister Konoye indicates that not only was the US not interested in taking action against Japan, but also that it still wanted to maintain good relations with Japan if at all possible. Roosevelt's expression of friendship toward Japan seems a far cry from the tough words of his quarantine speech and is another indication that the apparent hardening of US policy embodied in the speech was not immediately carried into action against Japan.

However, shortly following Roosevelt's seemingly conciliatory message to the Japanese Prime Minister, US policymakers faced an unparalleled crisis in US-Japan relations when Japanese planes sunk the USS Panay near Nanking. Immediately, the Japanese government apologized profusely for the sinking, claiming that it was accidental. The State Department refused to take any action until all the facts of the sinking were known, and it could be determined whether the sinking was indeed accidental as the Japanese government claimed.

However, survivors' testimonies soon began to indicate that the Panay incident was clearly not accidental, and both American policymakers and the American public were outraged. The State Department's anger is evident in Hull's conversation with the Japanese ambassador on December 17. In his memorandum of the conversation, Hull wrote, "I said that if Army and Navy officials in this country were to act as the Japanese had over there, our Government would quickly court martial and shoot them, and I was wondering whether his Government would take charge of this military situation and deal with it or whether it would not." Ending his conversation with the ambassador, Hull could barely control his anger. "I again expressed astonishment at the occurrence and again referred to the question of whether these wild, runaway, half-insane Army and Navy officials were going to be properly dealt with."¹⁹ Hull's anger is evident in his choice of strong words and phrases such as "shoot them" and "half-insane," and his anger mirrors the feelings of Roosevelt and the rest of the State Department upon learning that the Panay sinking was seemingly deliberate.

¹⁸ Foreign Relations: 1937, III, 683.

¹⁹ Foreign Relations, Japan 1931-1941, I, 529-530.

In the midst of the Panay crisis, policymakers initially considered translating their immense anger into punitive action against Japan. On December 14, Roosevelt asked Secretary of the Treasury Henry Morgenthau to find out whether Roosevelt could legally seize Japanese government possessions in the United States. Morgenthau and the Treasury Department eagerly began investigating the matter, and the following day they returned a memorandum to Roosevelt stating that the President could legally seize Japanese property in the United States if he declared a state of national emergency.²⁰

Though Roosevelt's desire for the Treasury Department to investigate the legality of seizing Japanese government property seems to indicate that the US was seriously considering punitive action against Japan, subsequent events indicate that such was not the case. First, when the Treasury Department's work on the so-called Oliphant memorandum was finished, Roosevelt showed little interest in it. Borg writes, "But Morgenthau was very disappointed because when the Treasury's work was completed Roosevelt showed no further interest in it."²¹ So, even though Roosevelt initially displayed an interest in pursuing punitive actions against Japan following the Panay incident, the fact that he showed little interest in the Oliphant memorandum once it was completed indicates that action against Japan was still not seen as a serious option.

This is further demonstrated by the fact that the US continued to rebuff British proposals for joint action throughout the Panay crisis. On December 15, British Ambassador Lindsay tried to impress upon Undersecretary of State Sumner Welles the importance of a joint Anglo-American response to the Panay incident.

He [Lindsay] said the worst of it was that ... Great Britain under normal conditions would already have taken forceful measures in the Far East, but under present

²⁰ Borg, 494.

²¹ Borg, 495.

conditions...they could not contemplate such action. For that reason a large part of public opinion, and official opinion in England as well, felt that at this critical moment a very real measure of cooperation, if necessary even of a forceful character, between Great Britain and the United States in the Far East was imperative.²²

In response to this plea, Welles said, "I indicated my own belief that concurrent or parallel action was preferable and equally effective. I said that, of course, as he knew, I was conveying the President's views in this regard." Therefore, despite the seriousness of the Panay crisis, US policymakers still refused to stray from their policy of abstaining from action against Japan and avoiding joint action with the British.

On December 25, the US formally accepted the apology of the Japanese government and the Panay crisis was effectively resolved. Despite Roosevelt's initial interest in taking punitive action against Japan, the trend of US policy throughout the crisis remained essentially the same as before—tough words but no action. Borg writes of the Panay crisis, "There was, however, never any intention of exerting genuine pressure on the Japanese ... Our policy toward Japan therefore remained unaltered...and the administration continued to rely upon the issuance of policy pronouncements..."²³

Despite the resolution of the Panay crisis at the end of 1937, US-Japan relations did not improve, but rather worsened throughout 1938. Continued violations of American rights in China and the continued bombing of Chinese civilian populations contributed to a growing sense of American frustration with Japan. Despite the thinning patience of American policymakers, however, the aforementioned forms of continuing Japanese aggression did not produce significant changes in US policy toward Japan.

²² Foreign Relations: 1937, IV, 504.

The policy of moral suasion still continued, even though the State Department was continuously inundated with reports of incidents of Japanese disrespect of and violations against American citizens and their property. The numerous incidents included: Japanese troops entering the US embassy at Nanking, a Japanese soldier's alleged slapping of a high-ranking US diplomat, widespread desecrating of the American flag, looting of the University of Shanghai, and Japanese troops occupying American missions in China. These incidents inspired increased outrage and anger in both American officials and the American public.

On February 3, in a telegram to Grew, Hull discussed the growing discontent of the American press toward Japan. "The press is showing a growing tendency to discount the sincerity of recent official Japanese apologies for disregard of American rights...as well as of popular Japanese expression of regret for injuries done to us."²⁴ In a February 4 memorandum of a conversation with Hirota, Grew echoed Hull's comments. "I spoke of the steadily mounting evidence of Japanese depredations which was coming before the American public; that the inflammable effect of this evidence should not be overlooked or minimized and that the patience of the American public was not inexhaustible."²⁵ The comments of both Hull and Grew indicate that the American public and policymakers alike were increasingly angered at Japan's numerous violations of American rights in China.

This outrage was exacerbated in the spring of 1938, when the Japanese launched extensive bombing campaigns against civilian areas in Canton. In response, Hull relayed a strongly worded message to the Japanese government on June 25.

²³ Borg, 518.

²⁴ Foreign Relations: 1938, III, 66.

As I indicated...public opinion in the United States deplores the fact and the circumstances of the present conflict in China and has become increasingly critical of Japan; this Government looks with disapproval upon the present manifestation of Japan's foreign policy and the methods which Japanese armed forces are employing in pursuit thereof; the widespread bombing of civilian populations in China has shocked both our people and the Government not only on grounds of humanity but also on grounds of the menace to American lives and property...²⁶

This statement of moral outrage is consistent with the US policy of moral suasion.

Though Hull makes it clear that the US strongly disapproved of Japan's militaristic policy in China, there is no mention of any action that might be taken and no hint of force or coercion in the statement. Thus, despite the fact that the Roosevelt administration clearly believed that public opinion was shifting against Japan, Hull's statement reveals that they were still unwilling to make strong use of force or economic coercion against Japan.

However, following the bombing of Canton, the US did take limited action in response to Japanese aggression. After the State Department's condemnation of civilian air bombings, the Department effectively limited the exportation of aviation materials to Japan. On July 1, Joseph C. Green, chief of the office of arms and munitions control, said, "...the Department would with great regret issue any licenses authorizing exportation, direct or indirect, of any aircraft...to countries the armed forces of which are making use of airplanes for attack upon civilian populations."²⁷

In addition to this limited embargo on aviation materials, some policymakers considered the possibility of economic sanctions following Japan's repeated violations of American rights in China. For instance, on January 28, Roosevelt sent a note to Hull

²⁵ Foreign Relations: Japan 1931-1941, I, 577.

²⁶ Foreign Relations: 1938, III, 203.

²⁷ Foreign Relations: Japan 1931-1941, II, 201-202.

about the possibilities for economic retaliation against Japan's looting of American property in China. Roosevelt said:

If you have not already begun to do so, I think we should start to lay the foundation for holding Japan accountable in dollars for the acts of her soldiers. Perhaps we should not suggest it until after our case has been firmly established but it is a fact that there is a vast amount of Japanese owned property in the United States and that we have excellent precedent in the Alien Property Custodian Act for holding this property in escrow. Enough said!²⁸

Despite Roosevelt's seeming willingness to take action against Japan by holding Japanese property in escrow, and despite the limited embargo on aviation materials to Japan, the US did not significantly alter its policy of moral suasion against Japan. While the government did take limited action following repeated Japanese violations of American rights in China, the US still was not seriously considering the use of force or coercion against Japan. This is evident in the US response to a British proposal for a joint naval demonstration. Regarding the British proposal, Hornbeck wrote, "We are not in position to make an assumption that the American Government would be in a position (that the United States would be willing) to make a disposal of naval forces for the purpose of defending and enforcing respect for American interests or of dictating terms of peace."²⁹ This reply clearly demonstrates that the US was still not considering the use of force against Japan, and was still unwilling to act jointly with the British. After receiving this reply from Hornbeck, the British sent a strongly worded response to the State Department criticizing US policy in Japan. The British reply said:

Ours contemplated the protection of our interests in the Far East and the restoration of peace by some form of armed intervention, while you have considered the problem in an attitude of greater detachment. I can only hope your expectations may be justified and that Japan will in course of time be

²⁸ Foreign Relations: 1938, IV, 250.

²⁹ Foreign Relations: 1938, III, 143.

brought to see the error of her ways by reason only of the moral indignation of other nations and her own economic difficulties.³⁰

Here, the British agitation with the aloofness of US policy is evident. The US made it clear that the use of force against Japan was still unacceptable, and the British were dismayed that the US seemed to think that expressions of moral indignation against Japan would be significant enough to reign in Japanese aggression. Thus, despite the intimation of US action given in Roosevelt's letter to Hull and the limited US embargo against aviation materials to Japan, it is clear from the British response that the US was still not considering the use of force. The limited action and talk of response to Japanese infringements on American rights was not enough to satisfy the British and was therefore not indicative of a major shift in policy from moral suasion to punitive action.

However, at the same time that the increased violations of American rights in China were occurring, the Japanese were also consistently infringing upon the open door and US economic interests in China. Throughout 1938, continuous infringements upon the open door in China included: the establishment of exchange control in north China, an embargo upon the exportation of hides and skins from north China, the establishment of an oil monopoly in north China, and the prohibition of the exportation of sheep and wool from Tientsin. In response to these and many other infringements, the US protested vigorously to the Japanese government, and the Japanese government repeatedly assured the US that it would respect the open door in China.

The vigorous protests of the United States culminated on October 6, when the State Department sent a long complaint to the Japanese government listing all the

³⁰ Foreign Relations: 1938, III, 173.

Japanese violations of US economic interests and the open door policy in China, and asking for redress of US grievances. Hull concluded the list of grievances, saying:

The developments of which I have made mention are illustrative of the apparent trend of Japanese policy in China and indicate clearly that the Japanese authorities are seeking to establish in areas which have come under Japanese military occupation general preferences for, and superiority of, Japanese interests, an inevitable effect of which will be to frustrate the practical application of the principle of the open door and deprive American nationals of equal opportunity.³¹

The US government asked the Japanese government to respond to the statement by promising to discontinue exchange controls, monopolies, and interference with American property in China.

However, the Japanese government's reply on November 3 was far from what the US had envisioned and hoped for. The Japanese government stated:

What Japan seeks is the establishment of a new order which will insure the permanent stability of East Asia. ... This new order has for its foundation a tripartite relationship of mutual aid and co-ordination between Japan, Manchukuo and China in political, economic, cultural and other fields. ... Japan is confident that other Powers will on their part correctly appreciate her aims and policy and adapt their attitude to the new conditions prevailing in East Asia.³²

This statement of Japanese policy goals was a clear violation of the principles of the open door in China. Mutual economic cooperation between Japan, Manchukuo, and China inherently entailed the exclusion of other nations' economic interests in China, particularly those of the United States. Fears that the Japanese were effectively closing the open door in China were confirmed on November 19, in a conversation between Grew and Japanese Foreign Minister Arita. According to Grew, Arita said:

There had...been no change in policy. His predecessors had on several occasions given assurances to the American, British, and other representatives

³¹ Foreign Relations: Japan 1931-1941, I, 788.

³² Foreign Relations: Japan 1931-1941, I, 478.

in Tokyo that Japan would respect the principle of the open door. As a matter of fact, those assurances were not intended to be unconditional, for the reason that the time had passed when Japan could give an unqualified undertaking to respect the open door in China. He was not implying that his predecessors had acted in bad faith: on the contrary, he felt certain that they were acting in the best of faith, but what they were attempting to do was to reconcile the principle of the open door with Japan's actual needs and objectives, and that could not be done.³³

For US policymakers, this open refusal of Japan to respect the principle of the open door in China was the last straw. The Japanese establishment of a "new order" for East Asia was a direct threat to US economic interests in China, and it was the first time that Japan had openly admitted that the open door principle no longer applied. With US economic interests therefore deliberately threatened by Japan, the US policy toward Japan shifted from a policy of moral suasion to a policy of action.

In response to the Japanese declaration of November 3, US officials for the first time seriously and openly considered the use of force and/or economic sanctions against Japan. A December 5 memorandum prepared by the State Department stated, "Diplomatic representations to Japan have not caused Japan to respect American rights and interests. In view of this, it is suggested in various quarters that the United States should supplement its diplomatic representations by embarking on a course of retaliatory measures."³⁴ This desire to "embark on a course of retaliatory measures" was carried out on December 15 when the US government decided to extend a credit of \$25,000,000 to the Chinese government.

Some policymakers, however, advocated taking even stronger and more definitive punitive steps against Japan. On January 25, 1939, Hornbeck stated in a memorandum, "I...favor proceeding upon a course contemplating and involving a

³³ Foreign Relations: Japan 1931-1941, I, 803.

program the opening numbers of which would be application of economic sanctions with clear indication from the outset that, if it should be necessary to carry out the whole program, the final numbers would probably be use of armed force.”³⁵ This desire for action against Japan culminated in July 1939, when the US decided not to renew its trade agreement with Japan. This decision paved the way for the possibility of economic sanctions against Japan and represented the first real effort of the United States to take action against Japan.

Thus, it is evident that the US did not actually change its policy toward Japan until American economic interests in China were clearly threatened by the Japanese announcement of November 3—effectively stating the intent of the Japanese government to close the open door in China. Furthermore, the evidence has shown that US policy toward Japan from 1937 to 1939 was marked by a gradual change from conciliation immediately following the Marco Polo Bridge Incident to the pursuance of economic sanctions against Japan with the 1939 trade agreement abrogation. Though the initial policy adopted by the US was essentially a policy of moral suasion, or strong words against Japanese actions, US policy shifted from a policy of words to a policy of action when US economic interests were clearly threatened by the announcement of the Japanese government’s intent to close the open door in China.

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³⁴ Foreign Relations: 1938, III, 407.

³⁵ Foreign Relations: 1939, III, 490.

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