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## Private diplomacy in the 1936 trade dispute with Japan

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# Private Diplomacy in the 1936 Trade Dispute with Japan\*

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## Introduction

Efforts were made by Japan in 1895–96, 1915–17 and 1924–26 to induce Australia to enter into a treaty relationship as regards commerce and navigation. These efforts were in each case firmly resisted. They were resumed in 1932, and late in 1934 the Lyons government eventually agreed to enter negotiations on this question. The Japanese were feeling the pinch of the Ottawa Agreement and, from material in the archives of their Ministry of Foreign Affairs,<sup>1</sup> we now know that their objective in these negotiations was to reduce their trade deficit with Australia to about ¥50 million.<sup>2</sup> This would appear to be a pretty tall order. On the basis of the 1934 figures it would mean, on the assumption that imports from Australia remained unchanged, stepping up exports by a factor of 2.3.<sup>3</sup> An increase by a larger factor would, however, be required; for tariff concessions to Japan would have to be bought by tariff concessions to Australia, and these would increase Japan's imports from Australia. But considered alongside Japan's recent performance, in which over the period 1931–34 she had increased her exports to Australia by a factor of 3.5,<sup>4</sup> a factor of 2.3 seems less than fantastic.

The Japanese presented a draft treaty, and each side tendered requests for concessions for specific items of importance to its trade. Because of the nature of Australia's exports there was not much of value that the Japanese could offer in the way of tariff concessions. Their chief bargaining counter was their power to give or withhold assurances to continue their favourable treatment of their principal imports from Australia — wool and wheat.

Negotiations continued intermittently until, to the great surprise of the Japanese, the Australian minister in charge of the negotiations, Sir Henry Gullett, on 20 February 1936 informed the Consul-General (K. Murai) that unless imports from Japan of cotton and rayon cloth were reduced from the 1935 total of 152 million square yards to 75 million square yards the duties on these items would be raised to levels high enough to bring about such a reduction.<sup>5</sup> In this Gullett was acting in response to strong representations by Lancashire which were supported by the

\*Some reduction has been made in the length of the original article, a copy of which is available in Ms 3092 at the Australian National Library.

Except where indicated to the contrary, all references to Japanese Foreign Ministry archival material are to the file, B.2.0.0. J/B1, 'Nichi-Gō Tsūshō Jōyaku Kankei Ikken' [Tr. 'Japan-Australia Commercial Treaty']. The original file appears to have been among the material destroyed by the Japanese in the interval between the Surrender and the arrival of the Occupation Force. The present file appears to have been reconstructed, from what relevant material could be found scattered throughout other files. B.2.0.0. J/B1 is available in the Australian National Library's microfilm collection in the following reels: Vol. 1, mfm G16167; Vols. 2 and 3, mfm G16168; Vols. 4, 5, 6, mfm G16169; Vol. 7, mfm G16170.

Unless stated to the contrary the Japanese documents are cables from a series named 'Kaishō' [Tr. 'Negotiations'], which dealt solely with the Japan-Australia treaty negotiations of 1934–1937. JFMA denotes Japanese Foreign Ministry Archives. FM denotes Foreign Minister. *Example*: 'Murai to FM 11/1 4/2/35 (Vol. 6)' refers to the cable, 'Kaishō' No. 11/1 despatched by the Consul-General, Sydney (Murai) to the Foreign Minister on 4 February 1935, a copy of which is filed in B.2.0.0. J/B1 Vol. 6 (available in reel G16169 in the Australian National Library's microfilm collection).

British government. He hoped that as a quid pro quo the latter would continue to provide better access to the United Kingdom market for Australian primary produce (particularly meat) than the Ottawa Agreement required.<sup>6</sup>

In reply, the Japanese denied that there was any need for restrictions on cottons but indicated a willingness to impose some controls on rayons that would stabilize rayon imports at about the level of the previous year.

The only response Gullett would make to this was to raise his total a fraction — from 75 million square yards to 80 million.

The negotiations broke down and the Australian government on 22 May replaced the 25 per cent duty on cottons by specific duties equivalent to from 68 per cent to 85 per cent and the 40 per cent duty on rayons by specific duties equivalent to from 47 per cent to 182 per cent.

Japanese industry retaliated by completely boycotting the Australian wool sales and this boycott remained in force throughout the dispute. This retaliation became official on 25 June when the Japanese government applied an import licensing system to Australian wool, wheat and flour and imposed, in addition to the ordinary import duties, an added duty of 50 per cent ad valorem on Australian beef, butter, condensed milk, hides, beef-tallow and casein.

The Australian government, claiming that these retaliatory measures were unduly severe, on 8 July imposed a licensing system which prohibited the entry of items constituting about 40 per cent of Japan's exports to Australia.

On 20 July Gullett offered to raise the limit to 95 million square yards.<sup>7</sup> On 2 September he offered to raise it to 100 million. Murai under instructions from his Foreign Ministry replied on 14 September that Japan was prepared to accept as the quota the level of her exports in 1935 (i.e. 152 million square yards) while reserving the right to impose quotas on her imports of Australian wool and wheat. Gullett replied the following day, informing Murai that his proposals had been placed before Cabinet, which had found them unacceptable. A further exchange of correspondence in which neither side gave any ground ended with a letter from Gullett to Murai on 1 October. To this Murai did not reply until 10 November, on which date he proposed a settlement on the basis of Australia's admitting 130 million square yards in return for Japan's admitting 400,000 bales of wool, this quota of 130 million square yards to rise at the rate of 2 million square yards for every additional 10,000 bales admitted by Japan up to a maximum of 150 million square yards per annum.<sup>8</sup>

What transpired in the interval between these two successive Japanese offers of 14 September and 10 November is the subject of this paper.

### **The differing attitudes of Murai and the Japanese Foreign Ministry**

The policy of the Japanese Foreign Ministry was to stand firm on the figure of their 1935 exports and to leave unstated the extent to which they would undertake to import Australian wool.<sup>9</sup> Amongst the reasons underlying this was the hope that it would act as an incentive to the Australian wool industry to exert pressure on the Australian government. From the outset Murai had argued that such a strategy was mistaken.<sup>10</sup> He considered that there was no chance of the Australians accepting the 1935 yardage. Secondly, he believed that Imperial sentiment was something widespread throughout the Australian community and feared that if Japan failed to present concrete proposals the government would use Parliament as an effective forum in which to appeal for popular support against Japanese intransigence.

On 15 September Murai reiterated his views in a long despatch in which he

marshalled additional arguments. He pointed out that prices at the wool sales were remaining firm despite the Japanese boycott. Australians, he noted, tended to be of sanguine disposition: they were more likely to be pleased by the fact that wool prices were high than to reflect that they would be higher still if Japanese buyers returned. The Australian government would never return to the *status quo ante* as a basis of settlement. But even if it did, the Japanese government itself was no longer able to do so; for the Ministry of Trade and Industry's new policy for raw materials, which included expanded local production of staple fibre in order to reduce wool imports, would continue irrespective of any settlement of the present dispute.<sup>11</sup> Although Gullett's proposals of 2 September were not acceptable, nevertheless, to the extent that they were calculated on the premise that the smaller yardage of Japanese textiles to be admitted would return approximately the same *value* as the previous year's, they could not be regarded as entirely unsatisfactory. Accordingly, the appropriate course was for Japan now to offer a guarantee to admit, say, 300,000 to 400,000 bales of wool annually, conditional on Gullett improving his offer of 2 September. Murai felt that, although it could be argued that such a settlement was too generous on Japan's part, it would involve sufficient loss for Australia to constitute an effective warning to other countries with a favourable trade balance with Japan not to embark on similar policies.<sup>12</sup>

This time Murai's arguments met with a more favourable response. On 16 October the Foreign Ministry informed him that although, in view of the unexpected smoothness with which the scheme to import wool from South Africa was operating, other ministries were maintaining a fairly firm attitude towards Australia, nevertheless the Foreign Ministry, in view of his despatch, was examining plans for a settlement. Hirodo, the manager of Kanematsu Ltd's Sydney branch, had cabled to his head office his opinion that if Japan undertook to admit 500,000 bales of wool annually the Australian graziers and Members of Parliament would secure a quota for Japanese textiles of 150 million square yards. Nishihara, the Australian correspondent of the Japanese daily newspaper, *Hōchi Shimbun*, had also cabled suggesting the possibility of a similar, though less favourable deal — 500,000 bales: 120 million square yards. Murai was instructed to make informal soundings to find out more about any schemes of this kind and whether the Australian government was showing a strong interest in them.<sup>13</sup>

### Hirodo approaches Clunies-Ross

Hirodo, as we have noted above, was manager of the Sydney branch of Kanematsu Ltd., the firm which handled most of Japan's wool purchases. In this capacity he and his family had resided in Australia, off and on, since 1910. From a file of personal correspondence between Dr Ian Clunies-Ross and C.A.S. Hawker MHR, it appears that Hirodo's proposal of 500,000 bales of wool: 150 million square yards of textiles was the result of discussions between Hirodo and Clunies-Ross.

On 28 September Clunies-Ross wrote to Hawker, asking whether he would mind his putting before him a few suggestions made to him by 'an influential Japanese' in Sydney (identified later in the correspondence as Hirodo) 'at the end of a very adequate dinner when both his utterances and my perception may have been slightly blurred'.<sup>14</sup> The terms for a settlement suggested were: (i) the reduction of the unfavourable trade balance to the ratio of about 1:2.1/2; (ii) the admission of 120 million yards of piece-goods at a low rate of duty in return for the admission of 350,000 bales of wool. Clunies-Ross ended his letter with the words: 'I did not know what use to make of this information but felt that you would be able to use your

influence towards effecting acceptance of such terms if you approve of them.<sup>15</sup> Hawker sent a reply two days later (30 September) and in it authorized Clunies-Ross to pass on its contents to his 'friend'. Before he posted it he read it, and Clunies-Ross's letter, to Gullett. Though not unconciliatory, its response to each of Hirodo's points was negative and it attributed the present hitch in negotiations to Japan's pre-occupation with more urgent matters.

Clunies-Ross wrote to Hawker on 8 October saying that he had discussed Hawker's reply with his 'friend', who had then suggested that a sliding quota (in which the admission of a larger quantity of wool would be met by the admission of a larger quantity of textiles) would be favourably received. Some such basis as the following might be acceptable: 300,000 bales/100 million yards → 400,000/120,000 → 500,000/140,000. Clunies-Ross indicated to Hawker that he personally had always favoured a settlement on such lines:

I have felt all along that such an agreement would not only adequately protect British interests assuring them of the retention of at least as great a part of the market as they now have, or even allowing considerable increase, but at the same time would ensure reasonable Japanese support for the Australian wool market.

The day after he received the Foreign Ministry's cable of 16 October instructing him to embark on informal soundings, Murai cabled his reply to Tokyo, as follows:

There are people among the local Japanese residents who consider the kind of plan that you mention a practical solution and who come to the consulate and informally make such proposals. Nevertheless it would appear that among the Australians there are none who are discussing such plans. I think it possible, however, that there are people connected with wool who have had such plans suggested to them by Japanese and who are thinking about them . . .<sup>16</sup>

This seems to be a fairly accurate appreciation of the situation. From the correspondence between Clunies-Ross and Hawker that we have quoted it appears likely that Hirodo thought up the figures, tried them on Clunies-Ross, and when he saw that the latter was favourably inclined towards them, selected out of the three pairs of figures the one with the largest yardage, added 10 million yards to it and suggested it to his head-office in Japan as a possible basis for negotiations.

Hawker replied to Clunies-Ross on 12 October. As before, his attitude to linked quotas was pretty negative; but he was not unconciliatory.

. . . As I see it, the sensible solution is for Australia to concede the highest possible quota of textiles at a reasonable tariff which is compatible with other trade etc. and let the Japanese adjust their wool purchases to their convenience . . . I gather from Japanese reports that our offer has come up to 100 million yds. of textiles. I have no doubt it will be improved if the Japanese show any desire for real negotiation . . .

Clunies-Ross persisted. In reply to this letter, he wrote on 16 October:

I would be glad to know whether you consider, in the event of Japan submitting proposals for a sliding quota for wool and textiles more or less on the basis I suggested in my last letter to you, this would have any chance of acceptance by our Government . . .

### **Murai directs Hirodo**

Up till now Hirodo may have been acting on his own initiative in his contacts with Clunies-Ross. It was, however, on 16 October that, as we have already observed, the Foreign Ministry cabled Murai instructions to make informal soundings to find out the Australian government's likely reactions to schemes linking a textiles quota to a wool quota. Thereafter we may assume that Hirodo was acting at Murai's behest.

For on 24 October Murai cabled in reply that, believing it to be undesirable that he himself should be informally sounding out governmental attitudes behind Gullett's back, he had acquainted Hirodo with the situation; Hirodo was now working on it through Clunies-Ross, saying that he had received instructions from his head-office whom he believed to be privy to the thinking of the Japanese government on this question. 'In this cable Murai described Clunies-Ross as forthright, well disposed towards Japan and well regarded by the Australian government.'<sup>17</sup> We can add a few more brush strokes to this sketch.

### Dr Ian Clunies-Ross

Dr Ian Clunies-Ross was at that time the head of the McMaster Animal Health Laboratory of the CSIR in Sydney. He was born in 1899. From his youth he appears to have been particularly interested in Asian history, culture and politics. By nature outgoing and convivial, he made many friends including a young Japanese writer, Isamatsu Kitakoji, then serving as a visiting lecturer under Professor A.L. Sadler in the Department of Oriental Studies at the University of Sydney. This led Clunies-Ross in about 1925 to undertake as a hobby the study of the Japanese language and Japanese history.<sup>18</sup> In 1927 he passed in Japanese I at the University as a part-time student. Unlike most people who studied Japanese at universities until quite recently, he seems actually to have been able to speak it.

In order to experience at first hand this country that so interested him Clunies-Ross applied for and secured a visiting research fellowship at the Institute of Infectious Diseases at Tokyo University and spent nine months there in 1929-30.<sup>19</sup> As he was interested in such questions as security in the Pacific and Japan's trade and population problems he attended as a member of the Australian delegation the triennial Institute of Pacific Relations Conference which was held at Kyoto during his visit.

As he was much sought after as a public speaker, his views on Japan and the Pacific became well known in the years following his return to Australia. In 1933 he was called as a witness for the defence in a court case in which the proprietor of the *Daily Telegraph* claimed that he was being libelled by articles in *Truth* that alleged that the *Telegraph's* campaign on the subject of Australia's inadequate defences was merely a 'stunt' to increase sales. Examined by R. Windeyer K.C., Clunies-Ross was able to testify that he had come upon no evidence of hostile intent towards Australia during his stay in Japan.<sup>20</sup>

Early in 1935 Clunies-Ross wrote a paper, 'Factors Influencing the Development of Australian Trade with Japan', in a book, *Australia and the Far East: Diplomatic and Trade Relations*, that he edited for the Australian Institute of International Affairs. In this paper he made a careful analysis of the changes in Japan's population growth and living standards (both urban and rural) and noted a corresponding increase in the proportion of imports to local production in rural commodities of interest to Australia. He saw good prospects for increased imports of such commodities from Australia — provided Japan's exports of manufactured goods continued to expand. His conclusion was that 'the future prosperity of Australia will to an increasing extent be dependent on that of her great neighbour in the Far East'.<sup>21</sup>

Later in that year (1935), with the assistance of the Graziers Association of NSW, Clunies-Ross again visited Japan to conduct a quick survey of the sheep-raising industry throughout the Japanese empire. The trade dispute broke out shortly after his return to Australia. A letter that he wrote to the Department of External Affairs at that time (11 June 1936) contains a courteous offer to provide them with

information on 'the development of woollen substitutes in Japan and the possible replacement of wool for certain specific purposes by such substitutes'. The department's reply carefully ignored this offer. A month later (21 July) he was requested by Gullett to delete from the official report on his survey, which CSIR was publishing, the sentence, 'the influence of harmonious trade relations on the continued growth of Japanese demand cannot be ignored'. Clunies-Ross complied, but placed his views on record in a letter to the secretary of the CSIR (28 July):

. . . I would have liked to have said very much more than I did about the effect of their present policy on the future of our woollen industry, but had hoped I might be permitted this one mild reference to a policy which I consider the very essence of ineptitude.<sup>21</sup>

### C.A.S. Hawker, MHR

Clunies-Ross's correspondent, Charles Hawker, who held the South Australian seat of Wakefield in the federal Parliament for the United Australia party, was one of the more distinguished characters in federal politics during this period. Born in 1894, he was at Cambridge when the Great War broke out. He enlisted immediately in the Somerset Light Infantry. As a platoon commander he lost an eye at Loos (September 1915) and was declared medically unfit for further service. On discharge from hospital he went back for a term to Cambridge but managed to secure his return to France in 1917. As a company commander at 3rd Ypres (October 1917) his spine was injured by a shell from the barrage that was supporting his attack, and he became paralysed from the waist down. He was many months in hospital. Sir Edwin McCarthy, who worked closely with him in the Department of Commerce in the early 1930s, attributes Hawker's breadth of knowledge and his intellectual rigour in part to the diet of serious reading and deep thought that he imposed on himself during his long and painful periods in hospital. In this he sees a similarity to F.D. Roosevelt.<sup>22</sup> In 1919 Hawker resumed his studies at Cambridge in a wheel-chair and topped the Seconds in the Historical Tripos. By the time he returned to Australia in 1920 he had taught himself to walk on two sticks. He entered Parliament in 1929 and in 1932 became Minister for Commerce, in which position he provided from Australia valuable administrative support for the Australian ministers (Bruce and Gullett) at the Ottawa conference. Within a year he resigned from the ministry. There appear to have been two reasons for this. The first was that the government had failed to reduce expenditure (particularly parliamentary salaries) to the extent of its electoral promises. The second was that his views on the tariff were closer to those of the Country party than to those of his fellow ministers, who in office were showing themselves much less enthusiastic about tariff reform than they had been in opposition.<sup>24</sup> It was Hawker, and not a member of the Opposition, who described the tariff policy of the Lyons government as 'government by the feeble for the greedy'.<sup>25</sup> From what I have seen of his speeches, articles<sup>26</sup> and letters, I should say that he was one of the most capable, hard-working and well informed men in the Parliament. He seems to have possessed to a high degree the qualities of imagination, common-sense, forthrightness and firmness. Had he not met with an untimely death in the *Kyeema* air disaster in 1938, I think it likely that he would have made a very considerable contribution to Australian politics or diplomacy.

Before the emergence of the trade dispute Hawker had already made arrangements for a tour of the Far East. He left Darwin by air on 25 June, the day on which the Japanese imposed retaliatory duties and import licensing. He arrived at Kobe on 11 July and spent his nine days in Japan informing himself about the dispute by means of interviews with Japanese businessmen and officials and with the British Commercial Counsellor and the Australian Trade Commissioner and their staffs.<sup>27</sup>



He had become aware only a few days before he left Australia of the magnitude of the cuts in the imports of Japanese textiles that Gullett was demanding. In a letter to Gullett on 23 June he wrote:

The figures . . . seem to reveal that you have chosen weaker ground than I had previously understood upon which to begin a tussle even though it may have been inevitable sooner or later.

While there was still such a large alternative volume of British trade still growing (including many textile lines) it must have seemed to the Japs rather wanton on our part to have asked for a cut of over 50 per cent and approximately 40 per cent respectively in their two principal businesses.

Hawker believed, however, that the government's negotiating position must not be weakened by evidence of dissension on the Australian side. One can get some idea of the difficult position in which he found himself from the British embassy's record of his interview with its Commercial Counsellor (Sir George Sansom), on whom he called on 13 July:

Mr Hawker . . . stated that he had certain misgivings as to the present treatment of the issue between Australia and Japan. He felt that both sides had gone too far and that it was foolish in an attempt to adjust trade relations to get to a point where there was practically no trade at all. He was, he said, even inclined to doubt whether the steps taken by the Commonwealth Government to protect United Kingdom exports of textiles etc. against Japanese competition were really to the advantage of the United Kingdom . . . He himself, as a wool-grower, stood to lose by the Japanese embargo on wool, and from the strictly commercial point of view he wondered whether, on return to Australia, he ought not to work for a moderation of the Commonwealth Government's policy. But in the national interest and in the interest of Empire solidarity he was quite prepared to take the opposite line should it seem on balance desirable.<sup>28</sup>

What he saw and heard in Japan confirmed Hawker in his original belief that there must be no outward appearance of disunity on the Australian side. Writing to his colleague, Senator J. Duncan Hughes, at the end of his visit he said: 'A show down was quite inevitable sooner or later particularly as regards Australia's right to put British commercial interests ahead of any other country's. A row like the present simply could not have been avoided.' He also considered that Australia's counter-retaliation was having a salutary effect on the Japanese and was causing them to be disabused of their belief that their country's position as a wool importer placed Australia at their mercy. Although Japanese exporters, wool-users and the better informed officials were now, according to his observations, anxious to settle, he considered it essential that Australia's counter-retaliation should continue until 'an influential section of wooden headed nationalists' actually saw Japanese ships running empty and raw materials becoming scarce. 'How long the cooling off period need be is only possible to tell on the spot, but it might not need to be very long. However if not judged rightly a premature approach might easily prolong the dispute by encouraging the die-hards.'

His policy with the Japanese officials and businessmen that he met in the course of his visit was 'to give them as much of Harry [sc. Gullett]'s point of view as I could conscientiously defend'. This was easier than he feared, because 'I met no Japanese who criticized Harry's argument as I could have done for them'.<sup>29</sup>

. . . I explained with courtesy but with absolute conviction that it was not merely that our predominant interests were in trade with England, but that we are British and that there is not enough other trade in the world to tempt us away from our family sentiment and duty. I assured them no settlement could be reached which failed to safeguard our own industries and our commercial relations with Great Britain. . .<sup>30</sup>

Hawker's position is best summed up in the cable that he sent to Dalziel Kelly, president of the Australian Woolgrowers Council, from Peking on about 22 July.

. . . Suggest wool growers can help to expedite settlement best by refraining from public criticism or private pressure for premature Australian offer but making strong private representations that compromise on original quota figures be accepted when available.

Please inform Gullett.

To Duncan-Hughes he was a little more candid.

. . . whatever happens Australia must not climb down abjectly and we must not contribute to her defeat by defeatism. All the same I would like to know how to shift Harry [sc. Gullett] without letting the country down. He is dangerous.

The following letter to Gullett, written by Hawker on 29 July during his homeward journey by sea, shows where he felt the dangers lay.

. . . Personally I was shocked when I read that the proposals made by Australia, so far from leaving Japan as the dominant supplier of rayon goods as indicated in your speech to the House, asked Japan to accept a cut from 65 m yards to 30 m yards and an almost equally severe set back in cottons. I literally (sic) can't conceive how they could possibly have accepted anything approximating such a proposal . . . However I presume you had a good deal of concession up your sleeve & that their press disclosures, or something worse, precipitated a show down on premature grounds for our best showing. I find it hard to believe that you can have blundered as the mere published facts seem to indicate . . . once the principle of sheltering our markets & industries from irrational floods of price murdering goods is established there is a great deal to be said for keeping Japanese purchasing power as high as possible. The limit to their competition for our wool is not one of need but of ability to finance. The more we can aid their ability to finance their purchases of Australian goods, the more we can buy from Britain as well. Japan's active competition for our goods has been one of the biggest factors in enlarging our capacity to buy British imports and our own manufactured goods as well. So long as Lancashire is sheltered from further defeat (for sentimental reasons of great political force) the more we can take from Japan, the more we can spend elsewhere until Japan's appetite for our goods approaches saturation. That is nowhere near yet although our trade war has given their military a feeling of insecurity about raw materials too dependent on our supply only, the feeling should wear off.

**'Endeavouring by means of activity on the flank, to discover the Australian Government's real objectives'**

These are the words in which the confidential Annual Report of the Foreign Ministry's Commercial Bureau describes Murai's use of Hirodo.

As we noted on page 146, although Hirodo had begun discussions with Clunies-Ross in September, it may not have been until 16 October that he came under Murai's direction in these activities. By then they had reached the stage where Hirodo had, through Clunies-Ross, asked Hawker a second time whether a sliding quota for wool and textiles would have any chance of acceptance by the Australian government.

In passing on this request, Clunies-Ross had added the additional piece of information that a close personal friend of his had two or three weeks previously been told by a minister that 'Cabinet itself doubted much of what the responsible Minister told them about the negotiations. . .'<sup>31</sup>

Before Hawker had time to reply, Clunies-Ross on 19 October sent him a telegram asking if he could see him in Canberra on the 20th or the 21st. (Does the increase in tempo mean that Murai had now entered the operation?) Apparently the

meeting took place, and as a result Hawker on the 21st took Clunies-Ross to see R.G. Menzies, the Attorney-General.<sup>32</sup> My guess is that either Menzies was the minister who had expressed his misgivings to Clunies-Ross's 'close personal friend' about Gullett's accounts of the negotiations and that, at his meeting with Hawker, Clunies-Ross had revealed this to him; or that Hawker, from his own knowledge, believed that Menzies shared his own anxieties about Gullett's diplomacy. The following extract from the diary of J.P. Moffat, the United States consul-general, indicates that Menzies did dislike this policy of Gullett's and that, at about this time, this fact was ascertainable on the Canberra grape-vine.

11 & 12 February 1937. . . . Squire also picked up from Townsend,<sup>33</sup> who was with Page and Menzies in London last year, the story of the trade diversion measures from that angle. He said that Menzies had disliked it from the beginning. . . .<sup>34</sup>

Menzies was not entirely without an official *locus standi* regarding the dispute. He, together with Page (Commerce), Pearce (External Affairs) and Gullett, was a member of the committee of Cabinet appointed on 1 October to maintain liaison regarding the Japanese dispute with a Special Wool Advisory Committee (F. Young — President of the National Council of Wool-Selling Brokers, J.P. Abbott — President of the Graziers Association of N.S.W., Dalziel Kelly — President of the Wool-Graziers Council, D.T. Boyd — President of the Federal Graziers Association).<sup>35</sup> The members of the Advisory Committee were to hold discussions later that week with Gullett (23 October) and with Menzies (24 October).<sup>36</sup>

On 22 October, the day after his meeting with Menzies, Clunies-Ross saw Hirodo. Two days later Murai cabled the Foreign Ministry a progress report on how the operation was proceeding. Clunies-Ross must have discoursed with Hirodo in some detail about his meeting with Hawker and Menzies; for this is what Murai cabled:

Hirodo reports that Hawker is of the opinion that, once having made all this fuss, it would be absolutely impossible for the Australian Government in terms of its relations with the United Kingdom and its own prestige to accept last year's figures as the quota; on the basis of 500,000 bales of wool, Ross considers 140 million yards appropriate, Hawker — 130 million; Hawker said to Menzies that these figures should be accepted but Menzies, while disclosing a sympathetic attitude, was doubtful whether in the light of Gullett's stubbornness the Government could accept them; Menzies, however, had promised to discuss it with the Prime Minister and let them know the answer; his answer would be conveyed by Hawker to Clunies-Ross; Clunies-Ross thinks that the Australian Government will try and keep the piece-goods quota as small as possible even if this means some contraction in the quantity of wool.<sup>37</sup>

On 24 October Clunies-Ross sent a telegram to Hawker saying that 'our friend' wished to know Hawker's personal opinion whether 140 million or 130 million might prove satisfactory, as he wished to submit proposals that week. On the 26th, at Melbourne, he met J.P. Abbott (president of the Graziers Association of NSW and a member of the Special Wool Advisory Committee) who had come to Melbourne to discuss with other members of the Advisory Committee their strategy for discussions with ministers in Canberra on the 27th. When Abbott told him that F. Young, another member of the Advisory Committee, was going to Canberra that night to discuss the removal of Gullett, Clunies-Ross put Abbott in the picture:

. . . I told him of my belief that Japan would accept 130,000,000 yards and would take 300,000 bales in return and that I took it that you [Hawker] and Menzies would support such a settlement. I said further until such time as this offer was received and rejected that it would be far better to preserve harmonious relations with Sir Henry.<sup>38</sup>

In reply Abbott told Clunies-Ross that he would resign from the committee if 130 million yards/500,000 bales were offered by Japan and rejected.<sup>39</sup>

Although Clunies-Ross did not know it, Murai also was planning to bring Abbott into the negotiations. In that day's cable Murai had informed Tokyo that he had now asked Hirodo to give Abbott the same kind of briefing as that given to Clunies-Ross and to request him to pursue similar informal enquiries.<sup>40</sup> On 15 October Abbott had called on Murai and told him in strict confidence that the wool industry would give favourable consideration to Japanese wishes and would endeavour to bring about a speedy settlement, but that they could at present do nothing, insofar as the Australian government had told them that the negotiations were deadlocked because the Japanese government refused to reply to their proposals.<sup>41</sup> Hirodo's approach to Abbott, however, was to prove unavailing. On 29 October Murai had to report to Tokyo that Abbott regretted that, because he was known to be pro-Japanese, he was not in a position vigorously to engage in informal activities of this nature, but that if the Japanese promptly put forward a fair and proper counter-proposal he would do his best to get the Australian government to make concessions.<sup>42</sup>

At Abbott's request Clunies-Ross also saw Young on the 26th and spoke to him in the same sense as to Abbott.

On 28th or 29th Hawker, after his 'enquiries' in Canberra, and after 'casually mentioning the suggestions to Gullett',<sup>43</sup> sent Clunies-Ross the following telegram:

140 appears impossible. Agree your anxiety about meat comparison reluctantly because otherwise difficult press for 130.<sup>44</sup> 120 reasonably safe. Much resistance to any higher figure but my personal opinion that once gap becomes small additional five could be extracted. While present gap remains resistance is growing.

Murai passed on this information to Tokyo on 29 October. Murai added that, as regards the figure for wool, although he had received no definite report, Clunies-Ross, Hawker and Abbott had indicated that they thought 500,000 bales a fair figure and he had no doubt that this had been conveyed to the government and the wool industry and that they were prepared to accept this figure. Murai considered that no further internal probing was possible and urged the Foreign Ministry to lose no time in presenting proposals. He continued that recently there had been a spate of reports from Japan that public opinion was weakening, that staple-fibre was proving unsuccessful, that Australian wool was regarded as essential and that the Japanese were prepared to accept a textile quota of 120 million yards. Such reports, he said, were causing a hardening in Australian attitudes. That this was not apparent in Hawker's negotiations was interpreted by Murai as indicating a conciliatory attitude. Murai therefore asked for instructions to negotiate on the basis of 400,000 bales for 130 million yards, increasing at the rate of 2 million yards for each additional 10,000 bales up to a maximum of 500,000 bales or 150 million yards, at the old rate of duty for cottons and at 3d. per yard for rayons.<sup>45</sup> The cable authorizing him to do so was despatched on 9 November.

### **Formal diplomacy and private diplomacy in tandem**

Apparently Hirodo continued to contact Clunies-Ross after Murai resumed formal negotiations with Gullett on 10 November.

On the 12th Clunies-Ross rang Hawker, as a result of which Hawker made 'some direct enquiries' the following day and informed Clunies-Ross that 'no hitch or deadlock has occurred but that there is a methodical series of offers and counter-

offers which is slowly converging with the utmost good feeling . . .' Hawker advised patience.<sup>46</sup>

On the 13th Gullett presented the Australian reply to the Japanese proposals. In this he indicated that Australia would not go beyond the figure of 110 million yards and that this was conditional on Japan's conceding more than the 'unduly low' figure of 400,000 bales. He refused to accept any sliding scale providing for additional quantities of piece-goods in return for additional quantities of wool. As regards the rates of duty, he adhered to his proposals of 2 September (1.3/4d. to 2.1/4d. per yard for cottons and 4d. per yard for rayons). Murai, under instructions, replied on the 18th, agreeing to abandon the concept of a sliding scale, refusing to go beyond 400,000 bales, and requiring in return a quota of 135 million yards. He gave a little ground on duties.<sup>47</sup> According to the report cabled by Murai on the 21st at the end of the three days of formal negotiations that had ensued (19, 20 and 21 November), Gullett was considerably displeased:

. . . Gullett said that it was not until we had proposed 130 million yards that he believed we were showing a conciliatory attitude (He had not regarded the escalator clause as serious). At great sacrifice he had conceded an increase of 10 million yards. Despite this we had now raised our demands to 135 million. If such was our attitude, the outlook for the talks must be bleak. He had discussed the matter with Cabinet and they had agreed with him.<sup>48</sup> Possibly the Japanese Government on the basis of the observations and views of people like Abbott and Clunies-Ross thought that the Australian Government was bluffing. If so, this was a mistake. The Australian Government had increased the quota figure almost to an extreme degree and would not agree to any further increases.

But apparently all was not gloom; for later in the cable this passage appears: 'Gullett said that if the Japanese Government, in a more conciliatory spirit, made concessions, he would give the matter further consideration; but that, while the Japanese Government adopted an attitude like the present, he could not accept any further increase in the quota.' Murai in this cable reminded the Foreign Ministry that time and the state of the wool market were against them. He suggested that they should make concessions, inform Gullett that these were their limit and undertake informal activities to cause the Australian wool industry to put pressure on the government to secure their acceptance.<sup>49</sup>

On 23rd Clunies-Ross wrote to Hawker. He had heard from Hirodo that the latest Japanese proposals were on the basis of 135 million yards which, Clunies-Ross commented, 'obviously they had no grounds for expecting would be acceptable'. At the moment Hirodo appeared to Clunies-Ross to be worrying about the rates of duty. Clunies-Ross hoped that if the Japanese were reasonable about the size of the quota the Australians would not be too hard in regard to the duties.

On 25th Clunies-Ross passed on to Hawker that Hirodo felt that in complaining that Japan was raising its prices, Gullett was quite unjustified. Hirodo sought to demonstrate that what Murai had proposed on 10 November was not 130 million but a figure somewhere in the range of 130-150 million. Gullett's response to this had been favourable and Murai had deduced from his behaviour that 120 million was the figure at which he was prepared to negotiate. 135 million was the mid-point between this and Murai's maximum of 150 million.

Clunies-Ross's letter continues:

. . . He tells me, and this is why I write to you particularly, that if we countered whatever proposals they make with a straight out offer of 125,000,000 yds. this would be accepted immediately and so end the whole tedious business. I thought I should let you know this in case you could take some action to have such a proposal made. Hirodo thinks, as do I also, that such an offer is reasonable and that even if Sir Henry has a maximum of 120,000,000 in mind it might be possible to secure the extra 5,000,000 without much difficulty.

Hirodo says public opinion in Japan has been prepared for acceptance of 125,000,000 but that they will definitely stick at that even at the risk of considerable further delay. . .

The gist of Hawker's reply is that things were about as bad as Hirodo described them.

. . . all I can comment is that the position has become more difficult here. There have been a number of bitter jibes and tirades which have sharpened tempers and hardened those inclined to boggle at concession . . . While acrimonious discussion continues here the prospects of generous compromise can only be precarious. . .

Murai's instructions were despatched to him by urgent cable at 4 p.m. on the 25th. Ungraciously and, as I see it, without justification, the Foreign Ministry informed him that, in the light of his appreciations of the situation as expressed in his cables, it could not but feel surprise at Gullett's capricious rejection of their proposals outright. It instructed him to negotiate on the basis of 120-125 million yards or as close to this as possible. There would be fairly strong opposition from other ministries, but if a settlement could be secured with Gullett along these lines the Foreign Ministry would try and force it through. As the other ministries had not been consulted, Murai must give Gullett the impression that he was acting on his own initiative without instructions.<sup>50</sup>

There is no indication that Clunies-Ross and Hawker were in any way involved in the next stage of the negotiations. In conformity with his instructions that he must appear to be acting without instructions, Murai proposed that his subordinate, Nihrō, and Gullett's subordinate, A.C. Moore, should confer, confining themselves solely to the piece-goods quota and piece-goods duties, with the object of proposing a formula, without commitment to either party. On 3 December agreement was reached at 122½ million yards.<sup>51</sup>

Thus encouraged, the negotiations returned to the question of wool. On 4 December Gullett proposed that since the quantity agreed to for piece-goods was roughly equal to the quantity imported in 1934, the wool quota, too, should be the amount imported during that year, i.e. 514,000 bales.<sup>52</sup> As a result Hirodo was called into action again. On the 6th Clunies-Ross was writing to Hawker:

. . . Hirodo when I asked him what had happened told me that the last and final thing to impede a settlement was that having settled the quota and the duties Gullett has insisted on them agreeing to buy 500,000 bales. I do not know whether the latter was aware that they had reopened negotiations on the understanding that a basis of approximately 125,000,000 yards against 400,000 bales would be acceptable but I feel that I have been placed in a false position and that the Japanese have grounds for feeling aggrieved. . .

. . . Hirodo has now cabled proposals for disguising the acceptance of 500,000 bales against 122 million yards, namely that for the last six months of this selling season they should take the full 500,000 or a total of 750,000, thus making it possible to publish in Japan a quota over the two years of about 400,000 bales [D.C.S.S. — This was possible because the wool year goes from July to June and Japan, because of the boycott, had bought no wool between July and December 1936. Thus Japan's face was saved if the period covered by the quota of 750,000 bales was said to be the two-year period extending from July 1936 to June 1938].

When he received this letter, Hawker was ill and out of Canberra. He took no action on it. The final settlement signed on 26 December was not greatly different from what Clunies-Ross in the letter quoted above described as Hirodo's proposal. The period covered by the agreement was to 30 June 1938. The wool quota was 800,000 bales, but the documents were so drawn up as to avoid any mention of when the period to which the wool quota applied commenced.<sup>53</sup>

The correspondence between Clunies-Ross and Hawker closed on 12 January with Hawker's reply:

. . . I quite agree that it all appeared very unreasonable. I do not know where the final urge came from for the stipulation of high minimum purchases of wools. . .

As you may gather I pooh-pooh-ed the idea of such a point being allowed to create a deadlock. However, I can quite see how if any member of that [Sc. Special Wool Advisory] Committee took the point it would frighten our Government into standing for it. . .

I am extremely sorry if I misled you in any way and thereby caused you to mislead any of your Japanese friends. Misunderstanding is a very serious danger whenever messages go from individual to individual through a long chain. It was one of the risks that we had to face. I know if any of my colleagues had asked my advice as to whether they should fetch and carry messages in the way [you and I did]<sup>54</sup> I would have advised them that it was a foolish and dangerous thing to do. Nevertheless, I think it was the right thing to take the risk and on the whole we were lucky there were no further misunderstandings.

It certainly speaks very highly indeed for the frankness and integrity of your Japanese friends.

### Conclusions

I think that I should go along with Hawker in his overall conclusion — the Japanese, Hawker and Clunies-Ross acted properly and their joint activities contributed usefully towards the settlement. Hawker's estimate of 120 million yards (see page 152) was pretty close to the mark. His contribution would have been even more helpful in achieving a more expeditious settlement if the Foreign Ministry had acted on his and Murai's advice instead of raising its price to 135 million on 18 November.

In the case of Murai, it was his duty to find out by all legitimate means the figure at which he should negotiate, and by all legitimate means mobilize politically powerful elements in the Australian community who might be able to give him support. Reference to the Minutes of the Cabinet Meeting held at 2 p.m. on 1 October indicate how successful he was in this.

It was decided . . . that the graziers representatives should be told that the Government would not stick at 5, 10 or even 15 million yards more on the quota from Japan.

Mention was made that imports for the three years 1933-34-35 of cotton and rayon was [sic] 76, 117 and 153 million yards, making an average of 115 million. It was felt by those present that this figure should be the utmost limit to which the Government should go.<sup>55</sup>

At this stage the most that Murai had been able to get out of Gullett had been 100 million yards. He eventually managed to get, not Cabinet's 'utmost limit' of 115 million, but 122½ million.

As regards Hawker, it seems to me perfectly proper that a ministerialist back-bencher who considered that the responsible minister was conducting negotiations unskillfully should bring this and any information that he might have about the negotiations to the attention of other ministers. It might be argued that Hawker helped Murai to discover chinks in the facade of cabinet unity and that in so doing he acted contrary to the principles that he himself had enunciated. In June when Japan retaliated Hawker stressed the importance of the appearance of unity: in October he participated in an enterprise which revealed to the Japanese that Cabinet was likely to settle for a figure lower than the figure Gullett was demanding. This argument is, I think, fairly easily disposed of. The display of national unity had served its purpose and brought Japan to the negotiating table — now was the time for substantial concessions, which Gullett was not providing.<sup>56</sup>

I have not encountered a diplomatic dispute in which an Australian or British

government claimed to the extent that Gullett and Lyons claimed in the present case that the citizen who regards the policy of his government as mistaken has a duty to be silent until the dispute has been settled. On 17 July Lyons asked representatives of the wool industry to refrain from taking any action that could embarrass the ministry in its negotiations with Japan;<sup>57</sup> and in Parliament on 25 November he readily admitted that he had appealed 'not only to Honourable Members but also to other citizens and representatives of any industries concerned to maintain silence on the issue so that the Government might be enabled to carry on its negotiations and bring them to a conclusion in the interests of Australia and the Empire'.<sup>58</sup> Similarly Gullett on the same day, after a speech in which a ministerialist back-bencher, P.A.M. (later Sir Philip) McBride, had criticized his policy, interjected:

The policy of settlement is about 10% of what it was yesterday. I say that deliberately because of the efforts of our alleged friends in the House.<sup>59</sup>

We have seen that Gullett apparently did not object to Murai communicating with him by the route Hirodo-Clunies-Ross-Hawker (see pages 144, 151). He may have felt that this gave him additional information about Murai's objectives; and he gave away nothing in return. Had he known that some of the information from Murai had reached Menzies and the prime minister over his head,<sup>60</sup> and that Murai in the course of these exchanges had become aware that Menzies's attitude was less rigid than his own, then he would probably have reacted strongly. When, less than three months later, Cabinet became divided over the extent to which the trade diversion policy should be pushed against Canada, he is said to have become very annoyed indeed when he found out that another minister (Thorby) had discussed the negotiations with the leader of the Canadian delegation behind his back.

Finally I should like briefly to consider whether these negotiations cast any light on the question of distinctive national diplomatic styles.

The use of unofficial channels superimposed upon the formal channels during negotiations is of course by no means unknown in international relations. A good example is the Soviets' transmission of their proposals to the United States for the solution of the Cuban missiles crisis through Fomin (the senior Soviet intelligence officer in the United States) and John Scali (an American journalist) at the same time as cables were passing between Khrushchev and Kennedy. In his treatment of this issue Roger Hilsman notes that the Soviets not infrequently use unofficial channels — particularly to try out a proposal or test a reaction in advance to avoid committing themselves prematurely.<sup>61</sup> These certainly figure among the reasons underlying Murai's use of Hirodo.

More important, however, in the case that we are studying is the objective — to discover and mobilize opposition to Gullett and thereby make him concede more than he wished. This I should like to follow a little further.

In 1977 Dr Michael Blaker published a very interesting paper entitled 'Probe, Push and Panic: The Japanese Tactical Style in International Negotiations'.<sup>62</sup> In this the illustrations that he used ranged from about the time of the attempts in the 1880s to revise the unequal *Ansei* treaties down to the negotiations with the Nixon Administration in 1970 over the admission of Japanese textiles. Among the examples that Blaker gives, one of the characteristics of Japanese diplomacy that seems to emerge is a willingness to make extensive efforts to plumb the dimensions of the other side's position in advance, so that negotiations can be directed on a fairly narrow front where there are good prospects of success.

In this sense, can the probing carried out through Hirodo be described as characteristically Japanese? This can be answered only by someone with greater knowledge



of diplomacy by *non*-Japanese than I have. To me, however, it does not seem much different from the probing that Longfield Lloyd was carrying out in Tokyo in the course of his duties there as Australian Trade Commissioner. The Foreign Ministry refers to these in a cable sent to Murai on 7 December at the time Gullett had disconcerted them by demanding a wool quota of 514,000 bales:

. . . On the question of the increase demanded in the size of the wool quota, it appears that Moore has cabled Lloyd to probe our intentions by unofficial means. He has been testing the ground among the Japan–Australia Society; but they and other people concerned have, we are informed, firmly rejected his approaches and have consistently informed him that they are not in a position to express any opinions on the Australian–Japanese negotiations. From the fact that he is making these enquiries we infer that the Australians are somewhat ill at ease regarding our feelings in this matter. . . .<sup>63</sup>

I should, perhaps, point out that the Japan–Australia Society, though it included among its principal objectives the fostering of good will, was not so much a social group (like our English Speaking Union or Royal Commonwealth Society) as an organization of businessmen with Australian interests. This piece of information in the Foreign Ministry’s cable is useful; for there are gaps in the file of cables to and from Lloyd.<sup>64</sup> Moreover Lloyd (whose previous experience was with the Security Service) where possible avoided using names — even in ciphered cables. Probably Lloyd’s activities in this direction were the result of Moore’s cable of 28 November which ends: ‘Minister considers you should make best endeavour with eminent quarters mentioned in your cable 19th November to use their influence to obtain Japanese Government’s endorsement Nihro proposal’. From the Foreign Ministry’s cable that we have quoted, it seems likely that these ‘eminent quarters’ included the president of the Japan–Australia Society, Baron Sakatani, who was a member of the House of Peers. Lloyd replied on 1 December that he had done so ‘and was given a reaction of most encouraging nature, immediately following which the said quarters suitably urged the Foreign Office’. This is not without its humorous side. It will be remembered that Nihrō was instructed by the Foreign Ministry to secure agreement at as close as possible to 120–125 million yards and to say that this was his private proposal and that he was acting without instructions (see page 154). Lloyd now goes to Sakatani and gets him and his fellow members of the Japan–Australia Society to urge the Foreign Ministry to support its own proposals! Next, when Gullett had included sub-quotas for different varieties of textiles in the terms of settlement, Moore cabled on 2 December: ‘any help you can obtain from sectional interests with which you are in touch’ would be appreciated. Then on 3 December, when Moore was holding out for 514,000 bales (the 1934 figure) and Murai was holding out for 400,000, Moore cabled: ‘Would greatly appreciate your best endeavours with the friendly sections with which you are in touch to support 1934 figure with Japanese Government’.

Admittedly, Lloyd appears to have picked up less of value from his contacts in ‘eminent quarters’ than did Murai from Hawker; but there is no indication that this was through lack of trying.

## NOTES

1. Murai to FM 11/14/2/35 (vol. 6).
2. At the then rate of approx. ¥1 = A1/5½d this would be about £A3.64 million.
3. Ōkurashō, *Bōeki Nempō*.
4. *Ibid.*
5. *Tsūshōkyoku Shitsumu Hōkoku 1936* [Tr. ‘Confidential Report of the Commercial Bureau of the Japanese Ministry of Foreign Affairs for the Year 1936’], 718–19, Item SP341 Reel 168 in the US

Library of Congress microfilm edition of *Archives in the Japanese Ministry of Foreign Affairs 1868-1945* (Australian National Library microfilm G5993).

6. See my 'Manchester v. Japan: The Imperial Background of the Australian Trade Diversion Dispute with Japan, 1936', *Australian Outlook*, vol. 30 (December 1936), 480-502.
7. Gullett to Hawker, 12 August 1936 (Australian National Library, Ms 4848, C.A.S. Hawker Papers, from which all the communications to and from Hawker cited in this article have been taken).
8. JFMA, B.2.0.0. J/B1 (vol. 4).
9. FM to Murai 79 and 80 31/8/36, 85 8/9/36, 86 11/9/36 (vol. 3).
10. Murai to FM 205/1 15/8/36 (vol. 6), 229 and 230 3 and 4/9/36 (vol. 4).
11. Murai, under instructions, had warned Gullett of this possibility on 9 July (FM to Murai 71 7/7/36 vol. 3). Later, on 7 September the Foreign Ministry had cabled to Murai that this policy had been adopted (FM to Murai 84 7/9/36 vol. 3).
12. Murai to FM Despatch 380 15/9/36 (vol. 4).  
Murai to FM 241 16/9/36 (vol. 6).
13. FM to Murai 88 16/10/36 (vol. 3).
14. Clunies-Ross to Hawker 16/10/36.
15. Clunies-Ross to Hawker 28/9/36.
16. Murai to FM 268 17/10/36 (vol. 6).
17. Murai to FM 272 24/10/36 (vol. 4).
18. Information kindly provided by Lady Clunies-Ross, to whom I am also indebted for giving me access to family letters written by Sir Ian during his visits to Japan.
19. He kept a diary of the visit, which he hoped to publish. A few sections of the manuscript survive among his papers. They indicate that he was a perceptive and sympathetic observer with the gift of ready communication and that the Australian reading public was the loser from his inability to find a publisher.
20. Archives Authority of NSW, 6/1658 — Stenographic Record in Causes 1933, *Denison v. Truth and Sportsman*, 249-253.
21. I. Clunies-Ross (ed.), *Australia and the Far East: Diplomatic and Trade Relations* (Sydney, 1935), 153-201, at 185.  
The second part of his paper is a most detailed and perceptive treatment of the appropriate role of Japanese studies in the Australian education system. Some of the reforms that he then considered urgent appear, now, forty-five years later, to be at last on the verge of implementation.
22. CSIRO Archives, File G16: 'Visit to Japan by Dr I.C. Clunies-Ross to Survey the Japanese Sheep Raising Experiment'. I am grateful to Mrs Marjory O'Dea for bringing this to my attention and to the Secretary (Administration), CSIRO for granting me access to it.
23. Interviewed 28/1/75.
24. The principal source of my information about Hawker is L. Needham, *Charles Hawker: Soldier, Pastoralist, Statesman* (Adelaide, 1969).
25. Australia, *Parliamentary Debates*, vol. 138, 161-167, 10/3/33.
26. C.A.S. Hawker, 'The Japan-Australia Trade Dispute', *Australia Asiatic Bulletin*, April 1937.  
id., 'Australia's Foreign Trade Treaties', *British Commonwealth Relations Conference 1938, Australian Supplementary Papers*, series B, no. 3.
27. Hawker to Duncan-Hughes, 19/7/36.
28. British Embassy, Tokyo to Foreign Secretary, Despatch No. 401E of 17/7/36 — Foreign Office F4773/119/23 (Public Record Office, London).
29. Hawker to Duncan-Hughes 19/7/36.
30. Hawker to Gullett 20/7/36.
31. Clunies-Ross to Hawker 16/10/36.
32. Clunies-Ross to Hawker 22/10/36.
33. Presumably A.R. Townsend, Department of Trade and Customs who according to Commonwealth of Australia, *Parliamentary Debates*, vol. 151, 186 (16/9/36), accompanied Page on his overseas tour with Menzies.
34. J.P. Moffat, 'Diary' (September 1935-March 1937) (unpublished), 736. The diary is available in the Australian National Library's microfilm collection as mfm G7251.
35. *Sydney Morning Herald*, 2/10/36.
36. *Sydney Morning Herald*, 26/10/36.
37. Murai to FM 272 24/10/36 (vol. 4).
38. Clunies-Ross to Hawker 26/10/36.
39. Clunies-Ross to Hawker 29/10/36 (telegram).
40. Murai to FM 273 26/10/36 (vol. 6).
41. Murai to FM 266 15/10/36 (vol. 6).
42. Murai to FM 279 29/10/36 (vol. 6).
43. Hawker to Clunies-Ross 3/11/36.

44. Using the increased duties on Japanese textiles as a bargaining counter, Australia had won a 15% increase in her meat exports to the United Kingdom. Hawker had suggested using this to argue that a Japanese textiles quota of 15% less than the 1935 figure was appropriate, i.e. 85% of 152 = 129 or, in round figures, 130 (million yds.). Clunies-Ross feared that such an approach might make the textiles quota vulnerable if subsequent concessions were gained on meat (Clunies-Ross to Hawker 22/10/36).
45. Murai to FM 279 29/10/36 (vol. 6).
46. Hawker to Clunies-Ross 13/11/36.
47. Texts in *JFMA* B.2.0.0. J/B1 vol. 4.
48. There appears to be no reference in the Cabinet Minutes to any discussion of this subject in the interval 5–24 November (Australian Archives, Canberra Office, AA1975/246).
49. Murai to FM 291 and 292 21/11/36 (vol. 6).
50. FM to Murai 96 25/11/36 (vol. 3).
51. *JFMA*: B.2.0.0. J/B1 vol. 4: Memorandum dated 3/12/36 initialled by K. M[urai] and A.C. M.[oore]. The formula mentioned in this document is 102½ million yards plus unrestricted entry for bag-making calico. As the agreed estimate for the latter was 20 million yards, I have, as elsewhere, for simplification combined the two.
52. *Tsūshōkyoku Shitsumu Hōkoku 1936*, 723.
53. Murai to Gullett 26/12/36. (Australian Archives A981, item Trade 68 part 2.)
54. In the first draft of the letter, in place of these words were the words 'I do'.
55. Australian Archives, Canberra Office, AA1975/246.
56. There was perhaps some inconsistency when on 26 November he expressed his former attitude and exhorted other Members of Parliament to follow his example (Australia, *Parliamentary Debates*, vol. 152, 2399).
57. *Sydney Morning Herald*, 18/7/36.
58. Australia, *Parliamentary Debates*, vol. 152, 2269. See also *ibid.*, 2397 (26/11/36).
59. *Ibid.*, 2330. McBride and Hawker were friends and appear to have held similar views on the trade dispute throughout (Hawker to Duncan Hughes 23/6/36). Both had absented themselves from Party meetings, fearing that if they criticized Gullett's policy it might leak to the press and that if they were silent they would be committed to support him (Hawker to Gullett 28/12/36).
60. A passage in Hawker's letter to Clunies-Ross of 3 November suggests that Menzies tried to bring Gullett into the picture immediately and had been restrained only by Clunies-Ross's insistence that his information was confidential.
61. R. Hilsman, *To Move a Nation* (New York, 1967), 216, 219. I am grateful to Dr C. Holbraad for bringing this to my attention.
62. R.A. Scalapino (ed.), *The Foreign Policy of Modern Japan* (Berkeley, 1977), 55–101.
63. FM to Murai 100 7/12/36 (vol. 3).
64. Australian Archives, A601, item 402/17/27.

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Private diplomacy in the 1936 trade dispute with Japan

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