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Author(s): James H. Herzog

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Influence of the United States Navy in the Embargo of Oil to Japan, 1940–1941

JAMES H. HERZOG

The author, a commander in the United States Navy, is currently stationed at the headquarters of the U.S. European Command.

TWO OF THE MAJOR prerequisites to any war machine are steel and petroleum and in both categories Japan since its modernization depended heavily upon imports. The necessity for oil in modern warfare encompasses the needs for aviation gasoline and lubricants, fuel oil for ships, gasoline for land vehicles, and the various forms of oil used in the civilian economy which supports the war machine. Approximately eighty per cent of Japan's crude oil and refined stocks in the early 1930's was imported from the United States and from those imports Japan began to accumulate an oil reserve for war. By 1939 that reserve had grown to a peak of 55,000,000 barrels.¹ With a subsequently reduced oil reserve Japan went to war with the United States and "it is highly probable that the aircraft which attacked Pearl Harbor and the carriers which transported them across the Pacific operated on American fuel."²

How could the United States allow such a reserve of oil to be exported for ultimate use against itself? Obviously, decisions were made which allowed exportations of oil to continue even in the face of the threat of war in the Pacific. The responsibility for those decisions must rest with President Franklin D. Roosevelt. However, as in any controversial decision, there were in Washington divergent factions attempting to influence the president. Ironically, the military service

¹ *Oil in Japan's War*, Report of Oil and Chemical Div., U.S. Strategic Bombing Survey, 11; Herbert Feis, *The Road to Pearl Harbor* (Princeton, 1950), 268.

² *Oil in Japan's War*, 1.

suffering most from the initial attacks of the Japanese significantly contributed through its civilian and military leaders to both the “pro” and “con” sides of the question on embargoing oil to Japan in 1940 and 1941.

The heavy use of petroleum products in the Sino-Japanese War cut into the reserved oil in Japan. Only an increase in volume of imports would allow the reserve to be maintained and, of course, to build up the reserve in the face of increased use required an even larger volume of imports. Reports of the startling demands made for accelerated imports reached the state department in June and July, 1940. France recently had fallen and Britain was fighting for her existence. Did the increased demands for oil portend a Japanese move to the south or were they part of a build-up of a larger reserve for a long war in the Pacific?

Before Secretary Hull departed for a conference in Havana on July 19, he rejected suggestions that he advocate to the president the cutting of Japanese exports to their normal dimensions.³ Perhaps Mr. Hull remembered the words of warning of Ambassador Grew to President Roosevelt in 1939: “I . . . said that if we cut off Japanese supplies of oil and that if Japan then finds that she cannot obtain sufficient oil from other commercial sources to ensure national security, she will in all probability send her fleet down to take the Dutch East Indies.”⁴

On the day Hull left for the Havana meeting, the president conferred with Stimson, Knox, and Welles on a proposal passed to him by Secretary of Treasury Morgenthau. The proposal had been suggested in part by Lord Lothian, the British ambassador, who had discussed the matter with Stimson, Knox, Morgenthau, and the Australian minister at a dinner party the previous evening.

This was the plan: The United States was, on the ground of national defense, to stop all exports of oil; Britain was to get all its oil from the Caribbean area; Britain was to arrange with the Dutch government to destroy the oil wells in the Indies; and, finally, it was to concentrate bombing attacks on the synthetic oil plants in Germany. Where then, and how, would Japan and Germany get oil for war?⁵

Welles, who objected to an embargo against Japan because he be-

³ Feis, *op. cit.*, 89.

⁴ *Ibid.*, 41.

⁵ *Ibid.*, 90.

lieved that it “would cause Japan to make war on Great Britain,” entered into a series of consultations with the president and Admiral Stark, chief of naval operations. A ban on oil might force the Japanese to make a decision about going into the Indies and Welles doubted that the American people were ready to support a counter military move. He thought he had impressed the president with his arguments,⁶ and, from later evidence, he most probably had Stark’s support.

Other members of the cabinet were much more prone to take a firm stand against Japan. The “hard line element” of Morgenthau, Stimson, and Knox actually succeeded in getting the president to sign a proclamation on July 25 to establish export controls over all kinds of oil and scrap metals. Welles and his worried subordinates in the Far Eastern division were disturbed on learning of the president’s move, because they feared that the embargo would “provoke a crisis with Japan sooner or later, and probably sooner.” Welles argued his case again and managed to persuade the president to issue a state department version of a control proclamation “to make clear the proclamation of July 25.” That version applied export controls only to “aviation motor fuels and lubricants and No. 1 heavy melting iron and steel scrap.”⁷

The term “aviation motor fuel” was further defined in the presidential proclamation of July 26, 1940 as: “high octane gasolines, hydrocarbons, and hydrocarbon mixtures which, with the addition of tetraethyl lead up to a total content of 3 c.c. per gallon will exceed 87 octane number, or any material from which by commercial distillation there can be separated more than 3 per cent of such gasoline, hydrocarbon, or hydrocarbon mixture.”⁸ The question of circumventing the restriction on petroleum exports based on octane level became the center of controversy between those who viewed the proclamation as a minimum move in the right direction and who wanted “tight” control and those who viewed the proclamation as a guide to maximum limits of control against Japan.

Within the navy were many officers who wanted the export controls rigidly enforced by applying restrictions to all fuels which could be

⁶ *Ibid.*, 90–91.

⁷ *Ibid.*, 92–93.

⁸ Memo from Comdr. McCollum to Dir., Naval Intelligence, Nov. 2, 1940; Navy History Div. Files in Office, Chief of Naval Operations (hereafter abbreviated NHD File): CNO L11-4/EF37.

made to serve as aviation fuel through the use of additives and/or further distillation. The one section of the navy department best informed on efforts to circumvent the octane limits and anxious to restrict the Japanese efforts to increase their reserve was the office of naval intelligence. The director of naval intelligence informed the chief of naval operations:

1. Information from highly reliable sources has reached this office regarding negotiations being carried on between the Associated Oil Co., Standard Oil Co. of California, and Japanese oil interests which appear to be aimed at circumventing the export on aviation gasoline.

2. Specifically, it appears that Japanese interests are now able to obtain not only Kettleman fuel oil, but a special blend of crude from Kettleman rated at 89 octane. The U.S. oil companies concerned are negotiating with the Japanese interests to supply this special 89 octane crude against outstanding large orders for 97 octane, 92 hi-octane, and 87 octane fuel. It is contemplated that by suitable leading of this special blend with ethyl, practically all Japanese requirements for high octane fuel can be met regardless of export control. Whether or not this "special blend" is a commercial grade, or a blend developed for the above outlined purpose, is not known from information at hand.⁹

By using the special blend of crude oil, which was not restricted, the Japanese could meet their gasoline needs.

Records do not indicate what, if anything, Admiral Stark did or thought about the specific information on circumvention, but four days later the director of naval intelligence, Rear Admiral Walter Stratton Anderson wrote directly to the secretary of the navy, with a carbon copy to CNO and the naval aide to the president. After reviewing the circumvention techniques being worked out by certain American oil companies with the Japanese, Admiral Anderson continued:

An official of an oil company, which has proved itself cooperative with government policies, has made the suggestion that the desired degree of embargo against Japan can be made air-tight and defeat such schemes as the foregoing if the following two conditions are met:

First, for the proper governmental authorities, presumably the State and Treasury Departments, to set forth exactly what degree of embargo they desire to enforce.

Second, qualified commercial oil experts could then implement this

⁹ Memo from Dir., Naval Intelligence to CNO, Aug. 26, 1940; NHD File: CNO JJ7 941.

policy by writing the necessary rules with the proper technical specifications to make the policy really binding. . . .

While the Navy is not charged with primary responsibility in connection with the enforcement of any embargo, such embargo is definitely of Navy interest, and it is believed the Departments charged with enforcing the embargo would welcome suggestions from the Navy in the premises.¹⁰

The memorandum from Admiral Anderson was dually significant. First, it stated a position for the navy, namely, that since the embargo of oil was of interest to the navy, the navy was ready to give suggestions on how better to enforce that embargo. The feeling expressed by the head of naval intelligence was not shared by the military head of the navy, which probably accounts for the direct correspondence with the secretary. It was quite “legal” for Admiral Anderson so to correspond, but it was not the accepted procedure. The second significance of the memorandum concerns its treatment after Secretary Knox received it. Not only was Knox in agreement with the suggestions contained in the subject memorandum, he wanted to share them with the leader of the “hard-line” group, Secretary Morgenthau. Attached to the memorandum is an undated pencilled note from the office of the secretary of the navy which reads:

JIM [presumably James Forrestal, under-secretary of the navy],

Take this up with Henry Morgenthau early next week. Ask Adm Anderson for a copy of letter he has on this subject & give that to H.M. also.

/s/ F.K.¹¹

Obviously part of the navy favored tight controls.

One of the first indications of the feelings of the chief of naval operations on the subject of embargo of oil to Japan was contained in a letter of September 24, 1940, to Admiral Richardson, commander-in-chief, United States Fleet.

Frankly, I do not like the look of things any too well. Spent over three hours in the State Department yesterday—something over two in the morning with Mr. Hull, Welles and Hornbeck, and then again in the afternoon over an hour with Mr. Welles. I believe had you been present you would have been in agreement with what I did and I pushed my thoughts home just as hard as I could. . . .

¹⁰ Memo from Dir., Naval Intelligence to Sec. Navy, Aug. 30, 1940; NHD File: CNO JJ7 1941.

¹¹ *Ibid.*

I strongly opposed, and I believe carried my point, an embargo on fuel oil for reasons which are obvious to you and with which I may say I think the State Department is in concurrence. I believe Mr. Hull brought it up to get a thorough discussion of the subject and Mr. Welles said he was in complete agreement with me.¹²

Stark was in the camp of Welles and certainly not that of Morgenthau.

If Stark did not like the look of things on September 24, he would like them less three days later. On September 27, the Tripartite Pact between Japan, Germany, and Italy was signed, leaving little doubt that the United States would eventually fight Japan. A clash was possible if the United States in support of Britain against her opponent, Germany, encountered the Japanese in support of Germany against Britain. Fear that the new formal alliance was a prelude to a Japanese move against Singapore or the Indies prompted many discussions in Washington. Within the state department, one faction, including Hornbeck and Norman Davis, stood for further use at once of American economic power as a deterrent, while Hamilton and his associates in the Far Eastern division advised otherwise—unless the United States was prepared for war. Morgenthau, Stimson, and Ickes wanted to lower the octane levels of exports; in the navy, though Knox still seemed inclined to use pressure, Stark and his admirals said that the navy was not ready for war. Meanwhile the Dutch were asking the state department to refrain from actions which would increase Japanese pressure against the Indies. Stimson's suggestion of sending a flying squadron of warships to the Indies to deter Japanese actions was strongly opposed by Admirals Stark and Richardson. The navy was in no state of readiness to oppose Japanese action in the Dutch East Indies.

A naval intelligence report on November 2 showed that despite the licensing of exports since July, the aviation gasoline exports to Japan jumped to a new height two months later. Department of Commerce figures for exports to Japan in barrels read:¹³

	Aviation Gasoline	Other Gasoline
July	40,938	119,277
August	8,540	283,550
September	115,051	434,284

¹² *Pearl Harbor Attack*, Part 14, p. 961.
¹³ Memo from Comdr. McCollum to Dir., Naval Intelligence, Nov. 2, 1940; NHD File: CNO L11-4/EF37.

The intelligence report continued:

The Division of Controls (State Department) informs us that while the Commerce Department figures are accurate they are based upon the presumption that any gasoline suitable for use or actually used in aeroplanes is "aviation" gasoline; the Controls Office uses a stricter definition in terms of octane count. It is recognized in that office that a very large proportion of the gasoline now being sent to Japan is actually used in planes and can be stepped up by "boosters" to high octane count. It is also stated that the question is essentially political insofar as the Controls Office is, under instructions, following a lenient policy *designed to appease Japan and relieve the Netherlands East Indies of pressure*.¹⁴ (Emphasis mine.)

In the circumstances the state department had little choice. The navy was reluctant to deploy forces to the Far East and was not ready to fight Japan. Tight restriction might force Japan to take the alternate source of supply. Lenient policy might buy some time to prepare for war.

In the setting of the fall of 1940, President Roosevelt received advice from every quarter on actions against Japan. Into the hopper of suggestions, Admiral Stark dropped one of the more important analyses of the international situation and the courses of action which the United States could follow. It was his "Plan Dog," which proposed American military support to Britain to defeat Germany and if forced to fight in the Pacific against Japan, to fight a defensive war using economic restrictions to limit the Japanese. The economic measures were to be used in a war. Stark looked upon the embargo of oil to Japan as an unnecessary risk of war where he wanted no war until Germany was defeated.

While Stark was working out his Plan Dog memorandum, the British were active again in attempting to get United States co-operation against Japan. Lord Lothian on November 1 asked the American government to join the British dominions and empire "in limiting the total export to Japan of all essential goods to what could be considered 'normal' amounts."¹⁵ Later in the month the question of restricting oil exports boiled up again. On November 20 the British sent a long memorandum entitled "Japanese Oil Situation" which reviewed in detail their intelligence on the matter. The key to the figures in the papers relative to the reserve of Japanese oil were based on the United States Navy's estimate of consumption for the last three

¹⁴ *Ibid.*

¹⁵ Feis, *op. cit.*, 136.

years. The British were of the opinion, based on their war experience, that the estimate of consumption was too high. They made a specific point

to inform the U.S. Government that if, on reconsideration, the U.S. Navy were to lower their estimates of consumption, H.M.G. took the view that the only reliable means of dealing with the very undesirable situation inherent in further accumulation of stocks by the Japanese would be by a joint policy designed to curtail Japanese chartering of foreign flag tankers. . . . Our policy is not to cut Japan off from supplies but to co-operate with the U.S. Government in restricting by the least provocative means, Japanese imports of oil now going forward at a rate for which there is no commercial justification.¹⁶

The offer had merit but Hull insisted that any action which might provoke the Japanese was unwise unless the British and American forces in the Far East were stronger. The senior admirals of the navy were saying the navy was not ready. "Hull and Admiral Stark, to whom the British proposals were primarily directed, let them rest." Stark had already proposed joint discussions with the British to arrive at a better basis of possible future operations together.

Although the British government "accepted the decision" of Hull and Stark, according to Herbert Feis,¹⁷ there was another attempt to get consideration on their memorandum on the "Japanese Oil Situation." A copy of the paper was given to Rear Admiral Ghormley, the special naval observer in London, who forwarded it to the chief of naval operations.

3. Please note Paragraph 14, Enclosure (A), (the subject memorandum) that the proposals contained herein were presented to the State Department of November 20th, 1940, but no reply from the State Department has yet been received.

4. In view of present conditions in the Far East, it is recommended that the suggestions contained herein be given careful consideration as a possible deterrent to Japan becoming engaged in war at this time.¹⁸

Ghormley did not know that the suggestions had been carefully considered by Hull and Stark and shelved.

¹⁶ Memo, "Japanese Oil Situation," dated Nov. 20, 1940, Encl. (A) to letter: Rear Adm. Ghormley to CNO, Feb. 11, 1941; NHD File: CNO JJ7/EF37-JJ7-3/EF37.

¹⁷ Feis, *op. cit.*, 136.

¹⁸ Letter from Rear Adm. Ghormley to CNO, *op. cit.*, n16 *supra*.

Discussions within the cabinet and the state department through the following months concentrated on freezing Japan's American assets and further restrictions on oil. In the meantime, Japanese imports of gasoline and crude oils from which aviation gasoline could be obtained continued to increase. State department estimates in April, 1941, were that the Japanese would receive from the United States and the Dutch East Indies 12 million barrels during that year or three times the normal amount.¹⁹

Despite Admiral Stark's feeling on embargo of oil, Japanese practices in the procurement of oil on the west coast could not continue without comment to the state department. For each Japanese naval ship visit to United States ports, permission was obtained from the state department by the Japanese government. The state department always advised the navy department and requested comment. In April the secretary of the navy informed the secretary of state that the navy department had no objection to a proposed Japanese ship visit, but called attention to the recent frequency of naval visits.

A total of twelve Japanese naval vessels will have obtained a cargo of oil from the United States within a period of six months, five of these within a period of sixty days.

Certain of the vessels now listed as naval vessels have made previous similar trips in their original status as commercial vessels. It appears more than probable that their current naval status has been devised to bestow upon them, and upon their obvious purposes, a degree of immunity which a commercial vessel could scarcely command.

It is suggested that the frequency of such visits is, to say the least, unusual; and a matter regarding which it is considered that some restrictive policy would be a timely precaution to prevent the abuse of international courtesies in a manner which appears contrary to the best interests of the United States.²⁰

The fact that the frequency of the visits had increased to one naval tanker every ten days²¹ through February and March was disturbing enough, but the abuse of designating commercial vessels as naval vessels was more than the naval intelligence division cared to tolerate. The courtesies of the port allowed too much freedom to the crew for the many facets of espionage work and to accord commercial vessels

¹⁹ Feis, *op. cit.*, 199, n10.

²⁰ Letter from Sec. Navy to Sec. State, April 3, 1941; NHD File: CNO A4-5(2)/EF37.

²¹ Letter from Sec. Navy to Sec. State, Serial 07813, April 15, 1941; NHD File: CNO A4-5(3)/EF37.

the honors due to men of war was highly unpalatable. On the recommendation of the director of naval intelligence, the secretary of the navy informed the secretary of state on May 23:

Although the matter was not pressed during the previous visit of the *Kokuyo Maru* to San Francisco April 18, to April 21, the Navy Department is unable to identify the *Kokuyo Maru* as a bona fide vessel of the Japanese Navy and it is therefore in some doubt as to the interpretation of the courtesies and facilities which are requested. When a bona fide man-of-war visits a port it is courtesy and custom that the name of the commanding officer be furnished. However the request in this case specifically states that the senior officer on board is an inspector, and in no way indicates that the ship is under his command. In view of this unusual situation the Navy Department would appreciate some application of the exact status of the ship. If she is merely an oil cargo ship aboard which has been placed a naval inspector, the Navy Department fails to see any reason why she should be accorded the privileges, immunities and courtesies which would be accorded with pleasure to any recognized ship of the Japanese Navy.

If, under these anomalous circumstances, the *Kokuyo Maru* enters Los Angeles as a merchant ship subject to all applicable regulations the matter is beyond the cognizance of the Navy Department. Should the Japanese Government insist that the ship is entitled to the courtesies and privileges of a bona-fide man-of-war, the Navy Department does not consider such requests as legitimate and recommends that in this case, and all subsequent similar cases, the Japanese Government be informed that the visit is not convenient.²²

The navy would not have to concern itself about Japanese naval tankers for many more months. On June 20, due to an actual domestic scarcity on the east coast and as a move against the axis powers, oil exports from the east coast were restricted to the British Empire, the British forces in Egypt, and the western hemisphere. Arguments within the cabinet over restricting oil exports from both coasts resulted in Secretary Ickes threatening to resign. Stark and Welles had delayed again cutting off oil to Japan. In July the tempo quickened. Japan was poised to acquire additional bases in Indo-China. On the direction of the president, Acting Secretary of State Welles informed British Ambassador Halifax that "If Japan now took any overt step through force or through the exercise of pressure to conquer or to acquire alien territories in the Far East, the Government of the United States would immediately impose various embargoes, both

²² Letter from Sec. Navy to Sec. State, Serial 011813, May 23, 1941; NHD File: *ibid*.

economic and financial.”²³ The showdown on the embargo question grew near.

Among those with whom the president conferred on the oil embargo was Admiral Stark. Stark described his feeling to Welles in a letter afterwards.

The latter part of last week the President asked my reaction to an embargo on a number of commodities to Japan. I expressed the same thought to him which I have expressed to you and to Mr. Hull regarding oil, but as to the subject in general I would be glad to have War Plans Division make a quick study. This study was finished yesterday. I sent it to the President and told his Aide I should also like to sent a copy to Mr. Hull, which I have done; and to talk it over with you.²⁴

The “Study of the Effect of an Embargo of Trade between the United States and Japan” was prepared by the war plans division (OP 16) under the direction of Rear Admiral Turner. It read in part as follows:

It is generally believed that shutting off the American supply of petroleum will lead promptly to an invasion of the Netherlands East Indies. While probable, this is not necessarily a sure immediate result. . . . Japan has oil stocks for about eighteen months war operations. Export restrictions of oil by the United States should be accompanied by similar restrictions by the British and Dutch. . . . An embargo on exports will have an immediate severe psychological reaction in Japan against the United States. It is almost certain to intensify the determination of those now in power to continue their present course. Furthermore, it seems certain that, if Japan should then take military measures against the British and Dutch, she would also include military action against the Philippines, which would immediately involve us in a Pacific war. . . . An embargo would probably result in a fairly early attack by Japan on Malaya and the Netherlands East Indies, and possibly would involve the United States in early war in the Pacific. . . . Recommendation: That trade with Japan not be embargoed at this time.²⁵

On the copy of Admiral Turner’s study sent to the president, Stark wrote “I concur in general. Is this the kind of picture you wanted?”²⁶ The president does not appear to have heeded the evaluations of

²³ Feis, *op. cit.*, 227.

²⁴ Letter from CNO to Welles, July 22, 1941; National Archives 894.24/1498½; (2) *Pearl Harbor Attack*, Part 5, p. 2382.

²⁵ Letter from Dir., War Plans Div. to CNO, July 19, 1941; NHD File: A11–A15.

²⁶ *Pearl Harbor Attack*, Part 5, pp. 2382–2384.

Turner or Stark. His actions in ordering a freeze of Japanese assets on July 25, after the Japanese entered southern Indo-China, showed that he was less worried about immediate Japanese reaction against the United States than were his military advisers. As long as Britain stood, he thought, the Japanese would not enter the war, because they did not want to fight the British Empire and the United States together.²⁷

Throughout the period of embargo considerations the navy was divided. The secretary of the navy and certain officers below the senior admirals were for tight controls or even complete embargo. The chief of naval operations, who had the advantage of personal contact with the president and who agreed with the president's trusted Mr. Welles, opposed actions which would result in war with Japan. To the very end Stark held his position, so wrapped up in the problems of the Atlantic that he veered away from any action which would commit his limited ships to the Far East against Japan. Stark accepted the calculated risk of allowing one potential enemy to build up huge petroleum reserves in order to keep peace in one ocean while defeating an enemy considered more dangerous in another ocean.

²⁷ Feis, *op. cit.*, 241.